Supreme Court, U.S.
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No.

In the Supreme Court of the United States

M2 SOFTWARE, INC.,
Petitioner,

v.

MADACY ENTERTAINMENT, *et al,*
Respondents

M2 SOFTWARE, INC.,
Petitioner,

v.

M2 COMMUNICATIONS, LLC, *et al,*
Respondents

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

MARK L. PETTINARI
Counsel of Record
LAW OFFICES OF MARK L. PETTINARI
Stock Exchange Tower
155 Sansome Street, Suite 400
San Francisco, CA 94104
Tel (415) 240-4200
Attorney for Petitioner
M2 SOFTWARE, INC.

QUESTION PRESENTED

Whether this Court should resolve the conflict both within and between circuits – *expressly acknowledged by this Court in a 2003 footnote, but deepened since then by the Ninth Circuit below* – as to whether federal trademark protection extends to protection against a junior use of a senior registrant's trademark that is likely to cause the many forms of confusion of source, sponsorship, approval, affiliation, connection, or other association, *or whether federal trademark protection extends only to protection against a likelihood of direct purchaser mistake as to source.*

RULE 29.6 STATEMENT

Petitioner is M2 Software, Inc. (hereinafter "M2"). Petitioner has no parent corporation and there is no publicly held company owning 10% or more of Petitioner's stock.

Respondents are Madacy Entertainment, Handleman Company, and SFX Entertainment (now Clear Channel Entertainment) [U.S.C.A. No. 03-55957] and M2 Communicãtions, LLC, Gaylord Entertainment, and Jeff Moseley [U.S.C. A. No. 03-56602].

Pursuant to Supreme Court Rule 12.4, a single petition is submitted for the above judgments on the grounds that the judgments are sought to be reviewed on a writ of certiorari to the same court and involve identical or closely related questions.

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Petitioner M2 Software, Inc. (hereinafter "M2"), respectfully petitions this Court for a writ of certiorari to review the judgments of the United States Court of Appeals for the Ninth Circuit in these cases.

OPINIONS BELOW

The opinion of the Ninth Circuit in *M2 Software, Inc. v. Madacy Entertainment, et al* (U.S.C.A. 03-55957) (hereinafter "*Madacy*") is reported at 421 F.3d 1073. The *Madacy* opinion received from the Ninth Circuit is reproduced in the Appendix hereto ("App.") at 1a. The opinion of the Ninth Circuit in *M2 Software, Inc. v. M2 Communications, et al* (U.S.C.A. 03-56602) (hereinafter "*M2 Communications*") is not reported, but is available at 149 Fed.Appx. 612. The memorandum opinion received from the Ninth Circuit is reproduced in the Appendix hereto at App. 29a. The January 8, 2002 opinion of the District Court for the Central District of California in *Madacy* is not reported and is reproduced at App. 35a. The August 1, 2003 opinion of the District Court in *M2 Communications* is reported at 281 F.Supp.2d 1166 and reproduced at App. 62a.

JURISDICTION

The judgment of the Ninth Circuit in *Madacy* was entered on August 31, 2005, followed thirteen days later by its judgment in *M2 Communications* on September 12, 2005. The orders denying M2 Software's petitions for rehearing en banc were entered on November 1, 2005 and November 2, 2005 in *M2 Communications* and *Madacy* respectively. App. 85a, 86a. The jurisdiction of the Ninth Circuit was based on 28 U.S.C. §§ 1291 and 1292(a)(1). The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

The two cases of this Petition involve a determination of the scope of "likelihood of confusion" contemplated by Sections 32 and 43(a) of the Lanham Act. 15 U.S.C. §§ 1114(1) and 1125(a). These statutes are set forth in the Appendix at pages 87a-88a.

STATEMENT OF THE CASE

The cases of this Petition involve the junior adoption of a senior registrant's trademark and trade name in the music industry by two new record labels that launched in 1999. The cases concern M2 Software, a company that started its life as a record label, but which has expanded into a company providing innovative technology and record label administration services to major record labels and music publishers. M2 owns a federally-registered trademark for the **M2** word mark, based upon a 1991 date of first use, for, *inter alia*,

> "Computer software featuring business management applications for the film and music industries; and interactive multimedia applications for entertainment, education, and information, in the nature of artists' performances and biographical information from the film and music industries * * * in Class 9 (U.S. Cls. 21, 23, 26, 36 and 38)." U.S. Reg. No. 1,931,182.

Since its 1991 inception as a division of Metabolic Music, Inc., M2 has promoted its **M2** trademark and trade name at the major music industry trade shows, including MIDEM, and has successfully established itself as a partner to many major record labels. The company, renamed to its current name in its first year, is a Delaware corporation that has maintained offices in New York City and Los Angeles, with record label client locations in music industry centers throughout the United States including California, Tennessee, Florida, New York, and New Jersey. The company operates in the music industry, and has generated total accumulated sales of its products and services under the **M2** name and mark that have reached the millions of dollars.

The defendants in both cases are record labels that both launched in partnership with certain major music companies in the summer of 1999 under the respective names "M2 Entertainment" and "M2 Communications." After each company refused M2's requests that they not use the identical **M2** name in the music industry, M2 brought two

lawsuits in federal court alleging trademark infringement, trade name infringement, and unfair competition.

The District Court granted summary judgment in each case to the defendants, finding that, although the junior users had adopted the identical fanciful trademark, no reasonable jury could determine that there was a likelihood of confusion between the marks. The District Court recognized that the **M2** mark owned by M2 was incontestable with registration for the music industry, but it held that there was no likelihood of confusion because the parties did not directly compete and therefore there could be no *direct* purchaser mistake as to source.[1]

M2 appealed the grant of summary judgment by the District Court (as to the music industry) in both cases.[2] Troublingly, the case law reflects a split in the standards to apply in this type of Lanham Act case. In the present cases, the issue before the Ninth Circuit was whether the junior use of the **M2** mark was likely to cause confusion, to cause mistake, or to deceive (15 U.S.C. § 1114(1)(a)) and whether there was a likelihood of confusion as to affiliation, connection, or association of the two users or as to the origin, sponsorship, or approval of the junior user's goods, services, or commercial activities (15 U.S.C. § 1125(a)).

The courts below chose only to address whether there was direct purchaser mistake as to the source of origin of the goods and services offered by the junior users. On appeal, the Ninth Circuit found that the newcomers' use of the identical

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[1] The District Court acknowledged the senior trademark owner's large overall revenues in the music industry [36a], but counted as "total sales" for its analysis only the several thousand dollars earned from those directly-intersecting, directly-identical products of a secondary product line as the only types of products it felt could cause the likelihood of direct purchaser mistake. [48a].

[2] The District Court in *Madacy* allowed a single issue to go to trial as to whether there could be a likelihood of confusion in the "general consumer" market, excluding the music industry trade in which both parties focused. The appropriateness of jury instructions that were limited to an inquiry of whether there was a likelihood of confusion as to direct purchaser mistake was also an issue on appeal.

trademark could not cause purchasers of record label products to mistakenly believe that they were "dealing with" M2. Alarmingly, the Ninth Circuit found "no need" to address whether there was a likelihood of confusion that persons in the public or in the trade would believe that there was some affiliation, connection, or association between these music industry businesses using exactly the same **M2** symbol or whether there was a likelihood of confusion of sponsorship or approval of the goods, services, or commercial activities offered and sold by the junior music industry business.

M2 timely filed a petition for rehearing en banc in each case. On November 1, 2005 and November 2, 2005 respectively, the Ninth Circuit denied each petition. This petition follows.

REASONS FOR GRANTING WRIT

In applying a "purchaser mistake" rule of likelihood of confusion, the Ninth Circuit decisions highlight a split in the Circuits that has been developing for many years. Uncertainty has surrounded the extent of protection that may be applied to federal trademark owners in the United States. The question at issue is whether a registered trademark owner is protected only against directly competing junior uses that are likely to cause confusion of direct purchaser mistake as to source or whether protection extends to junior uses which, while not directly competing, are nonetheless in a close enough field to cause a likelihood of confusion as to affiliation, connection, association between the parties, or to cause a likelihood of confusion of sponsorship or approval of the junior user by the senior trademark owner.

This Court acknowledged the conflict in footnote 5 of *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003). The Court left open the issue, noting that the correct standard was "seemingly" resolved by the 1988 Amendments to Section 43(a) of the Lanham Act. *Id.* at 32 n. 5. As the present cases reveal, the split in the Circuit Courts of Appeal has continued and is deepening. This is a recurring issue, and has had ample opportunity to percolate in the lower courts.

I. THE CASES OF THIS PETITION PRESENT A CLEAN SET OF FACTS FOR REVIEWING THIS IMPORTANT QUESTION

The cases of this Petition present the ideal set of facts for this Court's review of the important question referenced by this Court in footnote 5 of *Dastar*. Trademark cases are notorious for being "fact-bound" and possessing disparate facts that tend not to be conducive to forming precedent on a single clear issue. Here, however, the facts are simple and clear and the legal issue is presented crisply because there are no facts that would "taint" the "likelihood of confusion" analysis:

- The mark at issue is registered and *fanciful* – the strongest mark on the trademark spectrum.
- The junior mark is *identical* -- the highest degree of similarity possible.
- The new use is in *exactly* the same industry, and includes both competing and complementary goods and services.

Thus, the issue of the scope of protection to a trademark owner from a "likelihood of confusion" caused by a junior user of the same mark in the same industry is isolated, presenting an ideal opportunity for review of the question. The use of **M2** as a trademark and trade name of the Petitioner, *a record label partner, producer of interactive record label content, and provider of management services specifically for record labels*, would be protected against the unauthorized adoption of the identical mark by a new *record label*[3] in those circuits that apply the standard of confusion of sponsorship, affiliation, or other connection. Yet, Petitioner's use of **M2** would not be (and was not) protected by those circuits that apply the more narrow standard of likelihood of confusion that focuses only on direct purchaser mistake. This

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[3] A "record company" in the music industry is commonly referred to as a "record label," and the terms are used interchangeably herein.

is not an issue that is isolated only to the entertainment industry, but affects every federal trademark owner seeking to protect its trademark against the many other forms of confusion *besides* direct purchaser mistake that can be caused by a junior user's adoption of a senior user's registered trademark for a *related* use in the senior user's industry.

This Court's guidance and resolution of the conflict on the scope of "likelihood of confusion" is imperative to provide a fair and consistent approach to the protection of federal trademarks throughout the United States.

II. THE QUESTION OF THE SCOPE OF PROTECTION FROM A "LIKELIHOOD OF CONFUSION" UNDER THE LANHAM ACT MEETS ALL OF THE CUSTOMARY REQUIREMENTS FOR CERTIORARI

The cases presented meet the primary customary requirements for a grant of certiorari. *See* S. Ct. Rule 10. This Petition presents dramatic conflict between the Circuits concerning statutory interpretation and a conflict between these decisions of the Ninth Circuit and the instruction of this Court in footnote 5 of the *Dastar* decision. Inconsistent standards have even been applied within the same Circuit and notably within decisions concerning infringement of exactly the same trademark by related junior users in the same industry.

A. A Direct Conflict Exists within the Ninth Circuit with a Prior Decision Concerning the Same Trademark and Related Corporate Defendants

The present state of confusion in the Ninth Circuit mirrors the conflicted era identified by *McCarthy* that triggered the first 1962 Amendments to the Lanham Act.[4]

Here, consistency of standards applied in the Ninth Circuit has deteriorated "to the point that the result of a

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[4] *See* 4 *McCarthy on Trademarks and Unfair Competition* § 24:55 to 24:69 (4th ed.) (hereinafter "*McCarthy*"), "Related Goods: Judicial Schizophrenia in the Second Circuit."

related goods case hinged upon the panel which the parties happened to draw." *McCarthy* § 24:56 at 24-95. The 2005 decisions before the Court in this Petition were authored by a Circuit judge that was the sole dissenting judge in a 2002 case concerning infringement of the same **M2** trademark by Viacom, a corporate partner by equity of some of the present defendants. *M2 Software, Inc. v. Viacom, Inc.*, 30 Fed.Appx. 710 (9th Cir. 2002), *reh'g en banc* denied, --- (9th Cir. Apr. 22, 2002) ("*Viacom*") (reversing and remanding for trial based upon likelihood of confusion in the music industry between **M2** mark owned by M2 and "M2: Music Television" mark of Viacom for music television network in the music industry).[5]

In the 2002 *Viacom* appeal, M2 had drawn a majority Ninth Circuit panel that applied the standard "likelihood of confusion" analysis to rule in the favor of M2. *Id.* In 2005, just three years later, the dissenting judge in the earlier *Viacom* decision was the author of the decisions on the panel hearing the cases of this Petition and ruled in the opposite direction of the *Viacom* panel primarily by applying a narrower "purchaser mistake" standard. *See M2 Software, Inc. v. Madacy Entertainment*, 421 F.3d 1073, 1089 (9th Cir. 2005), *reh'g en banc denied*, --- (9th Cir. Nov. 2, 2005) ("*Madacy*") ("no need" for a factfinder to study likelihood of confusion of affiliation, connection, or association) [App. at 26a]; *M2 Software, Inc. v. M2 Communications, LLC*, 149 Fed.Appx. 612 (9th Cir. 2005), *reh'g en banc denied*, --- (9th Cir. Nov. 1, 2005) ("*M2 Communications*") (following *Madacy*) [App. at 29a].

Just as the two factions had earlier split the Second Circuit, the 2005 Ninth Circuit panel applied a narrower standard that limited the scope of trademark protection to direct competition, while the 2002 panel had applied the

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[5] A permanent injunction was entered against Viacom on September 7, 2004. *M2 Software, Inc. v. Viacom, Inc.* (C.D. Cal. 98-CV-8734, Docket No. 344, September 7, 2004) ("Defendants are permanently enjoined from using the specific marks M2 or M2: Music Television to identify any of Defendants' programming services or to identify any of Defendants' interactive multimedia products.")

"modern rule." *McCarthy* § 24:90[2] at 24-73; *Id.* § 24:6 at 24-13 ("Today, the test of 'likelihood of confusion' encompasses any type of confusion, including: confusion of source; confusion of sponsorship; confusion of affiliation; or confusion of connection.").[6]

That two different panels of the Ninth Circuit could reach two diametrically opposed conclusions when evaluating identical claims with a virtually identical set of facts demonstrates that there is enormous confusion and inconsistency of results with respect to the correct "likelihood of confusion" standard to apply. This is precisely the type of issue that warrants certiorari.[7]

B. The 1962 Amendments and 1988 Amendments to the Lanham Act Do Not Support the Narrow View of the Ninth Circuit

In its 1962 Amendments to Section 32 of the Lanham Act, Congress moved to resolve the judicial "schizophrenia" described by McCarthy. That year, Congress expanded the scope of the test of infringement of federally registered

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[6] Just as in the earlier period of what McCarthy has referred to as "judicial schizophrenia," this Petition arises from a split caused where "[e]ach judicial side of the issue usually cited only its own opinions as precedent." *McCarthy* § 24:56 at 24-95. *See Madacy*, 421 F.3d at 1089 (J. Pregerson) [App. at 26a], citing *Playmakers LLC v. ESPN, Inc.*, 376 F.3d 894, 897 (9th Cir.2004) (J. Pregerson); *M2 Communications*, 149 Fed.Appx. 612 (citing *Madacy*) [App. at 29a]. *Cf. Viacom*, 30 Fed.Appx. 710 (J. Pregerson dissenting).

[7] The Ninth Circuit remarked, "It is sad to say that this case 'set an all-time record of 276 pages for disputed jury instructions.'" *Madacy*, 421 F.3d at 1088 [App. at 25a]. Since Petitioner M2 submitted Model Jury Instructions on the "trademark infringement" question presented in this Petition, the "all-time record" was generated from disputes as to cases that *contradicted* the Model Jury Instructions of the Ninth Circuit. A jury instruction conflict demonstrates that substantial conflict exists on the law to be applied. This Court has the potential to dramatically improve efficient resolution of trademark cases in the lower courts by providing judicial guidance on the basic but vigorously disputed standards for determining "likelihood of confusion." Therefore, there is a pressing need for this Court to grant certiorari, at a minimum, to maintain and foster judicial efficiency and consistency.

trademarks by *striking* the language in Section 32 that required confusion or mistake, or deception of "*purchasers as to the source of origin of such goods or services.*" Some Circuits have treated this as evidence of a Congressional intent to broaden confusion to more than simply purchaser confusion as to source of origin. *See, e.g., Payless Shoesource, Inc. v. Reebok Int'l Ltd.*, 998 F.2d 985, 989 (Fed. Cir.1993); *Marathon Manufacturing co. v. Enerlite Products Corp.*, 767 F.2d 214 (5th Cir. 1985); *Syntex Laboratories, Inc. v. Norwich Pharmacal Co*, 437 F. 2d 566 (1st Cir. 1971).

In the 19 years following, a broader standard of confusion prevailed, illustrating that the 1962 Amendments had a dampening effect on the more restrictive view. Professor McCarthy notes that, through 1981, "[i]t appeared that the Second Circuit had almost come full circle back to the original *Yale* and *Aunt Jemima* rules" (protecting related but non-competing goods against confusion of affiliation, sponsorship, or connection). *McCarthy* § 24:57 at 24-97 to 24-98.

Over the next two decades, the effect of the 1962 Amendments seemed to have diminished. "A turn back to the restrictive view of the 1940-1960 period seemed to appear when in 1981 the court refused to enjoin use of BRAVOS for tortilla chips as an infringement of BRAVO's for crackers." *McCarthy* § 24:58 at 24-99, citing *Vitarroz Corp. v. Borden, Inc.*, 644 F.2d 960 (2d Cir. 1981).[8] According to *McCarthy*, "[t]he court appeared to take the astonishing position that an

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[8] The most powerful trademark owners, notably large entertainment conglomerates, have succeeded in securing different standards of protection for themselves in the face of narrowing standards in the minority circuits for ordinary corporate citizens. *See McCarthy* § 24:58, *comparing Warner Bros., Inc. v. Gay Toys, Inc.*, 658 F.2d 76 (2d Cir. 1981), on remand, 553 F.Supp. 1018 (S.D.N.Y. 1983), aff'd, 724 F.2d 327 (2d Cir. 1983) (finding sponsorship or affiliation confusion actionable) *with Vitarroz*, 644 F.2d 960 (adopting a more restrictive view). *Compare, also, Academy of Motion Picture Arts and Sciences v. Creative House Promotions, Inc.*, 944 F.2d 1446, 1455-56 (9th Cir. 1991) (J. Pregerson) (finding sponsorship or affiliation confusion actionable) *with Madacy*, 421 F.3d at 1089 (J. Pregerson) ("no need" to evaluate sponsorship or affiliation confusion) [App. at 26a].

injunction can be denied even though likely confusion is found if the 'balance of the equities tipped decidedly in favor of the junior user.'" *Id.*

After this reversion to a narrower standard in the Second Circuit, Congress moved again. In its 1988 Amendments to the Lanham Act, Congress specifically added language to Section 43(a) to explicitly identify the forms of confusion that it considered protected. 15 U.S.C. §1125(a)(1)(a) (1988) ("is likely to cause confusion, or to cause mistake, or to deceive *as to the affiliation, connection, or association* of such person with another person, or as to the *origin, sponsorship, or approval* of his or her goods, services, or commercial activities by another person") (emphasis added).

These legislative amendments demonstrate that Congress intended the consumer and the trademark owner's goodwill to be protected against not only confusion of source, but also as to confusion of sponsorship, affiliation, connection, approval, or other association.

C. A Conflict Exists Between the Circuits, Jeopardizing the Consistent National Scheme of Trademark Protection

This Court has instructed that a "principal purpose for which we use our certiorari jurisdiction * * * is to resolve conflicts among the United States courts of appeals." *Braxton v. United States*, 500 U.S. 344, 347 (1991); *see also*, S. Ct. Rule 10(a). Such a split has developed here. At least two opposing standards have emerged that prevent equal protection to owners of registered trademarks. As different standards are currently in place, the same federal registrant confronted with the same set of facts will achieve far different results depending on which Circuit Court ultimately decides the issue.

A consistently applied, nationwide scheme for the protection of trademarks is of national importance. The Lanham Act was adopted to secure national protection of trademarks because "trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation." *Park 'N Fly, Inc. v. Dollar Park*

and Fly, Inc., 469 U.S. 189, 193 (1985).[9] When the benefits of a good reputation are destroyed by inconsistent application of infringement standards, the nationwide scheme of protection is broken.

1 More Restrictive "Likelihood of Confusion" Interpretations Have Been Carved Down by Factions in the Second Circuit and Ninth Circuit, Creating a Split with the Other Circuits

"The nature of the buyer's confusion in seeing similar marks on non-competitive, but related goods, is a confusion as to sponsorship, affiliation, or connection." *McCarthy* § 24:3 at 24-9. Yet, factions within the Second Circuit and the Ninth Circuit have increasingly ignored these forms of confusion for the use of an identical junior trademark and trade name on related goods and services in the same industry. In the present cases, the Ninth Circuit restricted its focus to "direct purchaser mistake as to source" in dismissing all trademark and trade name claims of the senior federal registrant.

Other recent cases of the Second Circuit and the Ninth Circuit showcase the omission of any analysis of "related goods" confusion, even when the identical trademark has been adopted by an infringer. In the Ninth Circuit, the recent trend has been to find no likelihood of confusion on summary judgment or preliminary injunction rulings, even where virtually identical marks have been adopted by the infringer for exactly the same or directly related goods and services: *Moose Creek, Inc. v. Abercrombie & Fitch Co.*, 331 F. Supp. 2d 1214 (C.D. Cal. 2004), *aff'd*, 114 Fed.Appx. 921 (9th Cir. 2004) (registered "MOOSE CREEK®" mark for clothing not protected against unregistered junior MOOSE CREEK mark for clothing); *Surfvivor Media, Inc. v. Survivor Productions*, 406 F.3d 625 (9th Cir. 2004) (registered SURFVIVOR® mark for sunscreen not protected against junior unregistered

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[9] *See also*, John T. Cross, *Language and the Law: The Special Role of Trademarks, Trade Names and Other Trade Emblems*, 76 NEB. L. REV. 95, 153 (1997) ("The law protects trade emblems because it recognizes their tremendous importance in facilitating efficient communication.")

SURVIVOR mark for sunscreen); *Playmakers LLC v. ESPN, Inc.*, 376 F.3d 894 (9th Cir. 2004) (registered PLAYMAKERS® mark for a professional sports agency not protected against junior unregistered PLAYMAKERS trademark for a professional sports media property).

Recent Second Circuit precedent has followed the same restrictive focus, requiring extensive direct competition to allow a federal registrant to protect its senior trademark. *See Savin Corp. v. Savin Group*, 391 F.3d 349, 458 (2d Cir. 2004), *cert. denied*, 126 S.Ct. 116 (Mem) (2005) (Oct. 03, 2005) (registered SAVIN® mark for facilities management services not protected against junior unregistered SAVIN mark for engineering services) ("This [proximity] factor focuses on whether the two products **compete** with each other.") (emphasis added), citing *Arrow Fastener Co. v. Stanley Works*, 59 F.3d 384, 396 (2d Cir.1995) (pneumatic stapler trademark not protected against use of the same trademark for lightweight small stapler).

Applying this focus, the Second Circuit has developed a line of cases from the entertainment industry that narrowly construe trademark rights as applying only to particular "intellectual content" *conveyed* by the products of the entertainment companies, rather than examining confusion between the companies or products themselves. *See Sunenblick v. Harrell*, 895 F. Supp. 616, 627 (S.D.N.Y. 1995), *aff'd without opinion*, 101 F.3d 684 (2d Cir. 1996), *cert. denied*, 519 U.S. 964 (1996) (UPTOWN mark for jazz records not likely to cause direct purchaser mistake as to source with identical UPTOWN mark for hip hop records); *Q Division Records, LLC v. Q Records, QVC, Inc.*, 2000 WL 294875 (D.Mass. 2000) (unpublished, cited by the District Court in the cases of this Petition [App. 51a, 53a, 54a, 56a, 72a, 77a]); *Brockmeyer v. Hearst Corp.*, 248 F.Supp.2d 281 (SDNY 2003)("O" Oprah magazine not likely to cause direct purchaser mistake as to source versus the senior federal registrant, "O" adult magazine); *Strange Music, Inc. v. Strange Music, Inc.*, 326 F.Supp.2d 481, 491 (SDNY 2004) ("Devotees of hip-hop would know from the appearance, **content**, and music that plays upon logging on to

strangmusic.com that STRANGE MUSIC's products are not sold there.") (emphasis added).[10] [11]

2.Unlike the Second and Ninth Circuits, the Majority Circuits Have Consistently Applied a "Modern View" that Protects Businesses and Consumers against the Many Other Forms of Confusion

The "confusion as to source, sponsorship, approval, affiliation, or other connection" standard applied by the other Circuits contrasts sharply with the restrictive "direct purchaser mistake as to source" standard of the Second Circuit and the Ninth Circuit.

For example, in the Federal Circuit – the *de facto* "expert" circuit on the nuances of trademark law based upon its volume of specialized trademark cases – and in the Trademark Trial and Appeal Board, the rule has been succinctly stated: "Section 2(d) of the Trademark Act protects **not only against confusion as to source, but also as to**

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[10] This Court in *Dastar* conceptually rejected the "genre" confusion tests of *Sunenblick* and its progeny (which include the *Madacy* and *M2 Communications* cases addressed in this Petition), finding that it is the business identity of the company *producing* the product, *not* the "intellectual content that it conveys," that is protected under trademark law. *Dastar*, 529 U.S at 32. Thus, in the Ninth Circuit below, it is the "affiliation confusion" between the companies themselves, rather than direct purchaser confusion as to source of products characterized by different musical genres, that should have been the focus. The fact that certiorari was denied in *Sunenblick*, which was thereafter followed by similarly flawed cases, demonstrates that this is precisely the type of recurring question that requires certiorari now.

[11] An anti-monopoly consideration ostensibly supports the minority circuits' viewpoint. *See* Charles A. Reich, *The New Property*, 73 Yale L.J. 733 (1964); Simone A. Rose, *Will Atlas Shrug? Dilution Protection for "Famous" Trademarks: Anti-Competitive "Monopoly" or Earned "Property" Right?*, 47 FLA. L. REV. 653, 671 (1995) (positing that, "[b]ecause the goal of intellectual property rights is to contribute new 'property' and enhance competition, at a minimum, courts should categorize intellectual property rights as economically beneficial monopolies"). Yet, when this consideration is applied to allow two uses of exactly the same mark in the *same* industry, the very essence of federal trademark protection is eliminated.

affiliation, connection, or sponsorship." *Re Code Consultants*, 60 U.S.P.Q.2d 1699, 1704 n. 5, 2001 WL 1149619 (T.T.A.B. 2001) (emphasis added); *see also, In re Save Venice New York, Inc.*, 259 F.3d 1346, 1355 (Fed. Cir. 2001) ("The related goods test measures whether a reasonably prudent consumer would believe that non-competitive but related goods sold under similar marks derive from the same source, or are affiliated with, connected with, or sponsored by the same trademark owner."); *In re Opus One, Inc.*, 60 U.S.P.Q.2D 1812, 1815 (TTAB 2001) (with identical marks, there need only exist a "viable relationship" between the goods); *Payless Shoesource*, 998 F.2d at 989 (confusion is no longer limited to "source of origin").

The Federal Circuit has consistently protected senior users of registered trademarks against "likelihood of confusion" with a junior user's related goods, regardless of whether direct competition exists between the parties. *See, e.g., NASDAQ Stock Market Inc. v. Antartica S.r.l.*, 69 U.S.P.Q.2d 1718 (TTAB 2003); *Hewlett-Packard Co. v. Packard Press, Inc.*, 281 F.3d 1261 (Fed. Cir. 2002); *Han Beauty, Inc. v. Alberto-Culver Co.*, 236 F.3d 1333 (Fed. Cir. 2001); *In re Gartside*, 203 F.3d 1305, 1315 (Fed. Cir. 2000); *Recot, Inc. v. Becton*, 214 F.3d 1322 (Fed. Cir. 2000); *In re Shell Oil Co.*, 992 F.2d 1204 (Fed. Cir.1993); *Kangol Limited v. Kangaroos USA Inc.*, 974 F.2d 161 (Fed. Cir. 1992); *Century 21 Real Estate Corp. v. Century Life of America*, 970 F. 2d 874 (Fed. Cir. 1992); *Octocom Systems, Inc. v. Houston Computer Services, Inc.*, 918 F.2d 937 (Fed. Cir. 1990); *In re Hyper Shoppes (Ohio), Inc.*, 837 F.2d 463 (Fed. Cir. 1988); *In re Martins Famous Pastry Shoppe, Inc.*, 748 F.2d 1565 (Fed. Cir. 1984); *Safety-Kleen Corp. v. Dresser Industries, Inc.*, 186 USPQ 476 (CCPA 1975).

The same broader trademark protection applied by the Federal Circuit is now applied in virtually every other Circuit outside of the Second Circuit and the Ninth Circuit. See, *e.g. KOS Pharmaceuticals, Inc. v. Andrx Corp.*, 369 F.3d 700, 711

(3d Cir. 2004);[12] *CAE, Inc. v. Clean Air Engineering, Inc.*, 267 F.3d 660 (7th Cir. 2001);[13] *Westchester Media v. PRL USA*, 214 F.3d 658, 666 (5th Cir. 2000);[14] *Quantum Fitness Corp. v. Quantum LifeStyle Centers, L.L.C.*, 83 F.Supp.2d 810, 825 (S.D.Tex.,1999);[15] *Carnival Brand Seafood Co. v. Carnival Brands, Inc.*, 187 F.3d 1307, 1310 (11th Cir. 1999); [16]*Elvis Presley Enterprises, Inc. v. Capece*, 141 F.3d 188, 202 (5th Cir. 1998);[17] *Meridian Mutual Ins. Co. v. Meridian Ins. Group, Inc.*, 128 F.3d 1111, 1116 (7th Cir.1997);[18] *Champions Golf Club, Inc. v. The Champions Golf Club, Inc.*, 78 F.3d 1111,

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[12] "*The Act is now broad enough* to cover 'the use of trademarks which are likely to cause confusion, mistake, or deception of any kind, not merely of purchasers nor simply as to source of origin.'" (citation omitted) (emphasis added).

[13] In a case finding likely confusion of affiliation between CAE for engineering services and CAE for environmental services, the proper test is whether the public or the trade "could conclude that [the junior user's] products and services are affiliated or associated with [the senior user]."

[14] "But direct competition between the parties' products is not required in order to find a likelihood of confusion * * *. When products or services are noncompeting, the confusion at issue is one of sponsorship, affiliation, or connection." (citation omitted).

[15] "Quantum LifeStyle asserts that there is no likelihood of confusion because it provides fitness-related services, while Quantum Fitness provides fitness-related products * * * Because of the complementary nature of a health club and exercise equipment, the danger that the public will believe that the former is associated with the latter is particularly high."

[16] "The doctrine gives the trademark owner protection against the use of its mark on any product or service which would reasonably be thought by the buying public to come from the same source, or thought to be affiliated with, connected with, or sponsored by, the trademark owner."

[17] "When products or services are noncompeting, the confusion at issue is one of sponsorship, affiliation, or connection."

[18] "[A] plaintiff 'need not demonstrate that it is in direct competition with an alleged infringer to establish likelihood of confusion.'" (citation omitted).

1121 (6th Cir. 1996);[19] *Moore Business Forms, Inc. v. Ryu*, 960 F.2d 486 (5th Cir. 1992);[20] *Taco Cabana Int'l, Inc. v. Two Pesos, Inc.*, 932 F.2d 1113, 1121 (5th Cir. 1991), *aff'd Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992);[21] *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 958 (7th Cir. 1992);[22] *Tally-Ho, Inc. v. Coast Community College District*, 889 F.2d 1018, 1027 (11th Cir. 1989);[23] *International Kennel Club of Chicago, Inc. v. Mighty Star, Inc.*, 846 F.2d 1079, 1089 (7th Cir.1988);[24] *Wynn Oil Co. v. Thomas*, 839 F.2d 1183 (6th Cir. 1988);[25] *Mutual of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 398 (8th Cir. 1987), *cert. denied*, 488

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[19] "It is not particularly significant, as the district court seemed to think, that it is unlikely that any golfer would end up on the first tee at the Nicholasville course, thinking he or she was on the first tee at the Houston course, or *vice versa*. The relevant question is whether a golfer, albeit sophisticated, would likely be confused about affiliation between the two clubs."

[20] In *Moore*, the Fifth Circuit found confusion of affiliation between the noncompeting goods of "Compurite" paper business forms and "CompuRite" computer printer ribbons.

[21] "The issue is not whether consumers can read signs and menus that identify different restaurants, but whether consumers assume some affiliation between Taco Cabana and Two Pesos."

[22] "Modern trademark law prohibits use of a senior user's mark not only on products that are in direct competition with those of the senior user but also on products that are considered to be 'closely related' to the senior user's...A 'closely related' product is one 'which would reasonably be thought by the buying public to come from the same source, or thought to be affiliated with, connected with, or sponsored by, the trademark owner.'" (citation omitted).

[23] Senior rights to registered "You and the Law" trademark in connection with the title of an instructional television series in the educational telecourse market extended to the broadcast cable television market, because it was reasonable for consumers to be confused as to the relationship between the two users.

[24] In the case of a dog show trademark versus dog toys trademark: "[A] plaintiff need not demonstrate that it is in direct competition with an alleged infringer in order to establish likelihood of confusion."

[25] *Wynn Oil* concerned confusion of affiliation between CLASSIC car care products and CLASSIC CAR WASH services.

U.S. 933 (1988);[26] *Fuji Photo Film Co. v. Shinohara Shoji Kabushiki Kaisha*, 754 F.2d 591, 594 (5th Cir.1985);[27] *Communications Satellite Corp. v. Comcet, Inc.*, 429 F.2d 1245, 1253 (4th Cir. 1970) *cert. denied*, 400 U.S. 942 (1970);[28] *Polaroid Corp. v. Polaraid, Inc.*, 319 F.2d 830 (7th Cir. 1963).[29]

If a "direct purchaser mistake" standard of the Second Circuit and Ninth Circuit had been applied to any of the above cases from the majority circuits, these owners of valid, subsisting senior registrations would have been unable to protect their goodwill and reputation against the junior related but noncompeting uses. The disparity in the Circuits' treatment of registered trademarks can only be resolved through a grant of certiorari by this Court.[30]

D. A Conflict Exists Between the Ninth Circuit and this Court, with the Ninth Circuit Ignoring the Instruction in Footnote 5 of *Dastar*

In 2003, this Court acknowledged the "noncompetitive goods" conflict, set forth above, in footnote 5 of *Dastar Corp.*

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[26] The relevant test is whether confusion is likely that senior user "has sponsored, endorsed, or is otherwise affiliated with" the junior user

[27] *Fuji Photo* concerned confusion of affiliation between complementary but noncompeting services offered by a printing press company and a manufacturer of photographic film supplies.

[28] Even without direct competition, complementary products are "particularly vulnerable" to affiliation confusion.

[29] In *Polaroid*, the court noted that a trademark of a fanciful nature, such as the invented, non-word mark **M2** here, mandates a broad scope of protection.

[30] The "direct competition" focus of the Second Circuit and the Ninth Circuit considers the protection of confusion against direct confusion, but it ignores indirect confusion. This eviscerates the second of the two purposes of the Lanham Act, i.e., protection of the goodwill and the reputation of the senior registrant. *See Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 783-84 (1992) ("[T]he legislative history of the 1988 amendments reaffirms Congress' goals of protecting both businesses and consumers with the Lanham Act."); *Qual[illegible] Co. v. Jacobson Products Co.*, 514 U.S. 159, 163-64 (1995) ("At the same time, the law helps assure a producer that it * * * will reap the financial, reputation-related rewards associated with a desirable product.").

v. Twentieth Century Fox Film Corp., 539 U.S. 23 (2003). The Court left open the issue, noting that the correct standard was "seemingly" resolved by legislative amendment. *Id.* at 32 n. 5. This Court found that "[t]he 1988 amendments * * * now expressly prohibit the use of any 'word, term, name, symbol, or device,' or 'false or misleading description of fact' that is likely to cause confusion as to '**affiliation, connection, or association**. . . with another person,' or as to 'sponsorship, or approval' of goods." *Id.* (emphasis added)

The Ninth Circuit disregarded this Court's 2003 instruction, though it had been cited by M2 in its briefing below. Ignoring the Section 43(a) claims of M2, the Ninth Circuit squarely contradicted this Court's precedent and found that there was "no need" for a factfinder to study likelihood of confusion of affiliation, connection, or association. *Madacy*, 421 F.3d at 1089. [App. at 26a].[31]

The "likelihood of confusion" standard at issue affects not only Section 43(a), but, more importantly, the proper interpretation of Section 32. The statutes make clear that trademarks are protected against the many forms of confusion besides simple purchaser mistake. Section 32(a)(1) broadly defines trademark infringement as occurring if the defendant's acts are "likely to cause confusion, or to cause mistake, or to deceive," *without* any limitation on the type of confusion, mistake or deception. In 1962, Congress deleted

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[31] In *Madacy*, the Ninth Circuit affirmed a rejection of Model Jury Instructions to limit the "likelihood of confusion" inquiry to one of direct purchaser mistake by the following special verdict question: "Did plaintiff M2 Software, Inc. ("Plaintiff") prove by a preponderance of the evidence that the following defendants' use of the mark "M2 Entertainment" was likely to cause ordinary members of the general public who were doing business or considering doing business with Plaintiff *to mistakenly believe* that they were *dealing with* M2 Entertainment?" [ER215-2 (emphasis added)]. This highlights the Ninth Circuit's deepening split with other circuits. In a decision affirmed by this Court, the Fifth Circuit characterized similar language as describing just "a rather silly mistake" that was hardly ever likely to occur, and not the appropriate question to be asked of the public – or a jury – in a trademark case. *Taco Cabana*, 932 F.2d at 1121, *aff'd Two Pesos*, 505 U.S. 763 (1992) ("[t]he issue is not whether consumers can read signs and menus that identify different restaurants").

the language that defined infringement as a likelihood of confusion as to the "source of origin" among purchasers -- the very limitation applied by the panel. Taken literally, the *omission* of the qualifier "as to the affiliation, connection, or association" would allow any form of confusion, including those identified after the 1988 Amendments to Section 43(a), to be actionable for infringement of a federally-registered trademark under Section 32(a)(1).[32]

In comparison to the variety of devices protected under Section 43(a) (including unregistered trade dress), Section 32 cases concern only registered federal trademarks. It makes sense that Congress would provide a broader scope of protection to owners of registered marks. Providing additional rights to registrants is not unusual under the Lanham Act. *See, e.g.*, Section 34 (15 U.S.C. § 1116(d)) (providing remedies of seizure and impound only to owners of registered marks). Moreover, a simple reading of the language of Section 32 supports the interpretation that it is broader than Section 43(a).

Indeed, the present case involves an incontestable fanciful symbol that serves as trademark, service mark, trade name, and corporate name – a "technical trademark" that is *the very pinnacle* of the various designators of source granted protection under the unfair competition statutes and the type of device whose use is most likely to cause confusion of affiliation:

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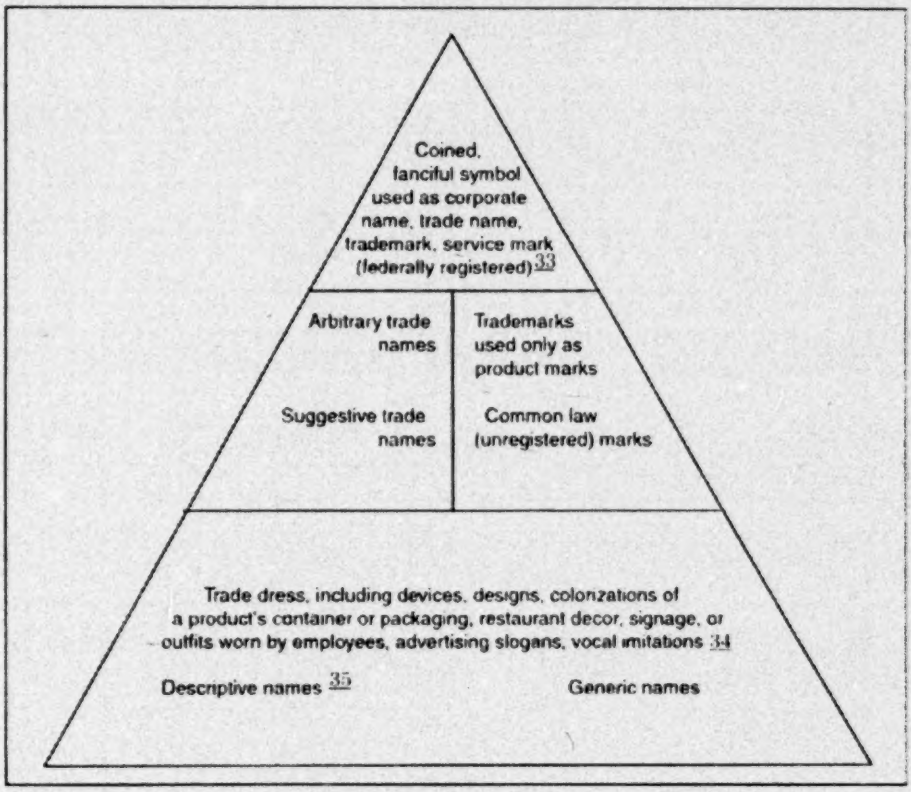
[32] *See* Michael J. Allen, *The Scope of Confusion Actionable Under Federal Trademark Law: Who Must be Confused and When?*, 26 Wake Forest L. Rev. 321 (1991) (criticizing courts that "have persisted in focusing on the purchaser at the time he makes his purchasing decision" despite 1962 Amendment).

TABLE 1: STRENGTH OF DESIGNATORS OF SOURCE - (CASES PRESENTED UNDER LANHAM ACT)



Unlike cases involving trade dress or descriptive marks, coined and fanciful trademarks and trade names "*automatically* * * * signal a brand or product 'source'." *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 212 (2000) (emphasis added). Yet, absent uniform protection against confusion of affiliation, sponsorship, or connection, there is no incentive for innovative companies to bring new fanciful and distinctive trademarks to life. In some Circuits, larger companies are permitted to simply takeover the registered trademarks of senior companies at will for use on

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[33] *Madacy*, 421 F.3d 1073; *Dreamwerks v. SKG Studio*, 142 F.3d 1127 (9th Cir.1998).

[34] *Two Pesos*, 505 U.S. 763.

[35] *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004); *Park 'N Fly*, 469 U.S. 189.

broader applications in the very same fields merely by avoiding "direct" competition and direct purchaser mistake.[36]

III. IF THIS COURT DOES NOT GRANT CERTIORARI, THIS COURT SHOULD SUMMARILY REVERSE UNDER SUPREME COURT RULE 16.1

If this Court does not take the opportunity presented by this Petition to address the issue of scope of likelihood of confusion applied by the split Circuits, it may nonetheless reverse the decisions under the summary reversal provisions of Supreme Court Rule 16.1.

A. The Ninth Circuit Violated the Petitioner's Seventh Amendment Right to a Jury Trial on the Fact-Intensive Question of Whether Purchasers Are Sufficiently "Sophisticated" to Overcome a Likelihood of Confusion Notwithstanding the Junior Adoption of an Identical Mark in an Identical Field

The cases of this Petition may be summarily reversed and remanded for jury trial on the grounds that Petitioner's right to a jury trial under the Seventh Amendment to the United States Constitution was violated. When the lower court took it upon itself to weigh the facts on summary judgment on the highly subjective jury question of whether purchaser "sophistication" could overcome a likelihood of confusion that the parties were affiliated when an identical, fanciful mark was adopted in the same industry, M2 was denied the right to a jury trial on that issue. Sophistication is *not* an available defense with an identical mark. Rather, visual "sophistication" at telling trademarks apart is useless where the marks are identical, and the question is one of

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[36] *Madacy*, 421 F.3d 1073 [App. at 1a]; *M2 Communications*, 149 Fed.Appx. 612 [App. at 29a]; *Viacom*, 30 Fed.Appx. 710; *DeCosta v. Columbia Broadcasting System, Inc.*, 520 F.2d 499 (1st Cir. 1975), cert. denied, 423 U.S. 1073 (1976). *See also, TV Land, L.P. v. Viacom Int'l. Inc.*, 908 F. Supp. 543 (N.D. Ill. 1995).

affiliation.[37] *See KOS Pharmaceuticals*, 369 F.3d at 725 (finding "clear error" where lower court found "sophistication" factor to outweigh a strong showing on "similarity of marks" and related factors) *Cadbury Beverages, Inc. v. Cott Corp.*, 73 F.3d 474, 478-79 (2d Cir. 1996) (finding clear error where lower court had resolved factual questions on the "sophistication" factor, rather than finding that no such factual questions existed). The Ninth Circuit pointed to *no* evidence that would demonstrate that music industry professionals are any more sophisticated about trademarks than the average person. Indeed, the more sophisticated, the more likely an executive would know that the defendants *also* offer music industry database applications similar to those offered by M2, as the record demonstrates.[38]

The Seventh Amendment provides: "In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law." Legislative hearings were even more succinct: "In suits at common law, between man and man, the trial by jury, as one of the best securities to the rights of the people, ought to remain inviolate." *1 Annals of Congress 437* (1789).

The Ninth Circuit, in affirming a District Court that took the weighing of fact-intensive issues on the valuable trademark rights of a fifteen-year-old U.S. corporation into its own hands and away from a jury, has violated the inviolate right to a jury trial intended under the Seventh Amendment to the Constitution. Summary reversal may be granted for this reason under Supreme Court Rule 16.1.

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[37] To take the *additional* step of saying that "sophistication" means not only sophistication in distinguishing marks, but the ability to do research to differentiate identically-named corporations, is to eliminate the "trademark" purpose entirely.

[38] *See, e.g., Madacy* ER126-15/19; ER61-46/48; *M2 Communications* ER78-5; ER78-36; ER151-46; ER151-71/74.

B. Regardless of Whether the Modern "Related Goods" Rule is Applied, this Case also Involved Direct Competition.

A second segment of this case involves the junior use of an identical mark for *exactly* the same goods and services specified in the senior user's federal trademark registration. M2's Registration includes protection of the **M2** trademark for use in connection with, *inter alia*, "interactive multimedia applications for entertainment, education, and information, in the nature of artists' performances and biographical information from the film and music industries... in Class 9." U.S. Reg. No. 1,931,182. As one segment of their companies, the defendant junior record labels provide exactly the same class of goods under the identical trademark. *See M2 Communications* ER78-5/7; ER151-71/74; ER69-50; ER151-56; *see also, Madacy* ER49-148/149; ER126-15/19; ER61-46/48.

Where the junior user used an identical mark for exactly the same goods identified on the senior incontestable federal registration, a likelihood of confusion is conclusively proven. *Wynn Oil*, 839 F.2d at 1191 ("where a defendant uses an identical mark on competitive goods" the likelihood of confusion issue is "open and shut"), quoting *McCarthy* § 23:3 at 23-72.[39] Where, as here, an identical mark is being used for the same overall class of goods, the question is simply reduced to which party owns date priority. *See Allard Enterprises, Inc. v. Advanced Programming Resources, Inc.*, 146 F.3d 350, 354 (6th Cir. 1998). Priority is not an issue here.

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[39] The corresponding state and common law claims should follow as well because all turn on the same "likelihood of confusion" issue. *See, e.g., Dreamwerks*, 142 F.3d at 1132 n.13.

1.The Congressional Intent of Providing a Means for a Federal Registrant to "Quiet Title" in a Federal Trademark Has Been Judicially Tainted by the Importation of "Non-Competitive Goods" Multi-Factored Tests into the Realm of Direct Competition

The original intent of the incontestability provisions of the Lanham Act was to provide a means for a federal registrant to "quiet title" in the ownership of his trademark for the goods and services specified in the registration. *Park 'N Fly*, 469 U.S. at 198. With an inherently distinctive trademark (either a common word arbitrarily applied, or, as here, a fanciful coined term with no meaning other than trademark significance), a showing of secondary meaning is not required. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769 (1992). In 2004, this Court confirmed the widely-accepted concept that the step from achieving the nationwide right to achieving an injunctive remedy is that a "likelihood of confusion" be shown. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004). Thus, it is the courts' interpretation of the appropriate test of "likelihood of confusion" that becomes the determinative factor as to whether the owner of an incontestable federal trademark may rely upon a truly "quiet" title.

Congress could not have imagined the "likelihood of confusion" tests to be as pliable as they have become in those Circuits that have applied the "noncompetitive goods multi-factored tests" to cases involving competing goods. If a junior user adopts the identical mark for the same goods and services identified in the registration, it is counterintuitive that a protracted lawsuit should be required to enjoin the junior direct infringer. Cases concerning the use of an identical mark on directly competing goods have resulted in convoluted exercises covering many new factors that distract the courts from a logical "likely confusion" result, even where an infringer has adopted an identical mark for exactly the

goods covered under the plain language of a senior incontestable registration.[40]

2.The Ninth Circuit's Importation of the Noncompetitive Goods Multi-factored Tests to Situations Involving Competing Goods Sold Under an Identical Trademark Eliminates the Consistent National Scheme of Federal Trademark Protection

Several of the Circuits have begun adjusting the "noncompetitive goods" multi-factored tests to conform to an application of the test to "competing goods." Yet, even in these other Circuits, the confusion issue is "open and shut" where, as here, an *identical* mark is adopted by an infringer. For example, in *A & H Sportswear*, 237 F.3d 198, the Third Circuit recently overruled its original instruction that in cases involving competing goods, the court "need rarely look beyond the mark itself" that was set forth in *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460, 462 (3d Cir.1983). Despite this change of view, the Third Circuit *carved out* the present case of identical marks as the exception to its new instruction that a multi-factored test be used for competing goods. *A & H Sportswear, Inc.*, 237 F.3d at 214 (applying a new rule "at least when the marks *are not identical*") (emphasis added). The Federal Circuit, for its part, instructs temperance with multi-factored tests, to avoid overcoming the main factors that have traditionally been weighed heavily in a confusion analysis. *See Han Beauty, Inc. v. Alberto-Culver Co.*, 236 F.3d 1333, 1336 (Fed. Cir. 2001) (lower courts may focus on

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[40] The original "likelihood of confusion" multi-factored tests for noncompetitive goods were developed *before* the Lanham Act amendments of 1962. The first such test by a Court of Appeals was *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir.), cert. denied, 368 U.S. 820 (1961), which has been highly influential in the development of the tests of the other Circuits. Thus, at their source, the multi-factored tests *do not consider* the post-1962 definition of "likelihood of confusion" in the amended statutory language

"dispositive factors, such as similarity of the marks and relatedness of the goods.")[41]

Thus, unless this case is granted certiorari or summarily reversed, senior trademark owners in the Ninth Circuit will continue to be faced with uneven hurdles[42] in protecting against junior uses of the identical mark on competing goods, even where an incontestable registration exists. This unbalanced requirement hardly comports with the intent of Congress to provide a means for a registrant to "quiet title" in its mark, in its addition of the incontestability provisions to the Lanham Act. *Park n' Fly*, 469 U.S. at 198.

C. The 2005 Panel of the Ninth Circuit was Bound by the 2002 Decision of a Different Panel of the Ninth Circuit, Reversing and Remanding on Exactly the Same Issue of Law with Exactly the Same Intellectual Property

The cases may also be summarily reversed because the prior precedent of *Viacom* addressing the same issue of law should have controlled the subsequent cases. *Viacom*, 30 Fed.Appx. 710. The binding effect of a prior panel's decision is essential for proper functioning of the judiciary – the Petitioner in the *M2 Communications* case had directly relied

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[41] A newcomer does not have a legitimate business need to adopt, out of a universe of alternatives, an identical, fanciful trademark of a senior trademark registrant. *See McCarthy* § 23:20 at 23-70. Because a newcomer has a duty to select a mark which is not confusingly similar to a senior registered trademark, all doubts on the issue of the "likelihood of confusion" are resolved in the favor of the senior registrant. *Century 21 Real Estate Corp. v. Century Life of America*, 970 F. 2d 874, 878 (Fed. Cir. 1992). *See Wal-Mart Stores*, 529 U.S. at 212 (coined and fanciful trademarks "*automatically* * * * signal a brand or a product 'source'"), quoting *Qualitex*, 514 U.S. at 162-163.

[42] The Third Circuit has recognized that "forward" and "reverse "confusion are merely designations of conceptual direction of confusion, and do not form "distinct claims." *See A & H Sportswear*, 237 F.3d at 233 (forward or reverse confusion "may merely be a function of the context in which the consumer first encountered the mark.") The Ninth Circuit, in contrast, erects an additional hurdle for smaller trademark owners by treating the very direction of confusion as "two distinct claims." *Madacy*, 421 F.3d at 1079, quoting *Surfvivor Media*, 406 F.3d at 630. [App. at 8a].

on the Ninth Circuit *Viacom* decision when it filed its original complaint just three weeks after the decision, and all parties relied on the *Viacom* decision in determining the extent of continued litigation in *Madacy* from 2002 through 2005.

While the *Viacom* case resulted in a permanent injunction against the defendants, the sole dissenting judge in that case has now provided Viacom's corporate peers with essentially the same result sought by Viacom in 2002 that was denied by the original majority – a take-over of the same **M2** mark owned by the smaller, growing company in the music industry, Petitioner M2. *See M2 Software, Inc. v. Viacom, Inc.* (C.D. Cal. 98-CV-8734, Docket No. 344, September 7, 2004). Although the previously-dissenting judge, out-voted by the majority in 2002, became the author of the new decision with a different panel in 2005, the new panel was still required to follow the earlier decision of the Ninth Circuit majority. *See Spangler v. Abercrombie & Fitch*, 79 Fed.Appx. 325, 326 (9th Cir. 2003) (summarily reversing where Court was bound by prior panel's determination on "nearly identical claims"); *see also, United States v. Hogan*, 986 F.2d 1364, 1369 (11th Cir.1993) ("[I]t is the firmly established rule of this Circuit that each succeeding panel is bound by the holding of the first panel to address an issue of law, unless and until that holding is overruled en banc, or by the Supreme Court.")

Not only did the new panel not follow the earlier majority decision, it completely changed the *very standards* of "likelihood of confusion" to be applied to this case under the Lanham Act.[43] Summary reversal is required under Supreme

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[43]Even though the Ninth Circuit elected not to publish *Viacom*, both the trademark owner and the Viacom-related defendants were aware of this precedent when subsequent business and legal decisions were made. The Federal Circuit has made an exception to its rule concerning nonprecedential opinions in limited cases, like the present, where exactly the same intellectual property is at issue. *See Burke, Inc. v. Bruno Independent Living AIDS, Inc.*, 183 F.3d 1334, 1337-38 (Fed. Cir. 1999) (approving citation of "a claim construction rendered in an earlier nonprecedential opinion in subsequent litigation against different defendants on the same patent").

Court Rule 16.1 because the dissenting original judge committed error by disregarding the prior precedent on virtually identical claims.

D. The Ninth Circuit Neglected to Review Petitioner's Live Claims for Trade Name Infringement

Following its failure to consider the many forms of "sponsorship, affiliation, or connection" confusion with respect to the parties' trademarks, the Ninth Circuit also neglected to review – in their *entirety* – Petitioner's separate claims for trade *name* infringement.[44] A trademark represents the mark holder on "the vendible commodity to which it is affixed," while a trade name symbolizes "a business and its goodwill." *American Steel Foundries v. Robertson*, 269 U.S. 372, 380 (1926). In some cases, trade name claims are implicitly reviewed under the same standards as the underlying trademark, but here the Ninth Circuit did not even mention the trade name claims.

That the overall commercial activities under the trade names received no consideration at all is also shown empirically, by the Ninth Circuits' restriction of analysis to direct purchaser mistake on the products themselves. Thus, the question of whether the junior use of the name **M2** as a part of junior trade name infringed upon the 15 years of goodwill in the music industry of Petitioner under its senior trade name **M2** has never been adjudicated. Summary reversal under Supreme Court Rule 16.1 is therefore required

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[44] Besides the claim of trade name infringement, the Ninth Circuit also failed to review a live claim for fraudulent transfer. The Petitioner's claims were raised on appeal but have yet to receive an appellate review. [*M2 Communications* ER04-12/15; *Madacy* ER22-11/14]]. The court also erred by failing to send to a jury evidence of the contributory liability of SFX, and by dismissing Defendant Gaylord and Defendant Moseley, prior to discovery, on grounds of personal jurisdiction without regard to the "express aiming" allegations of the complaint. [*Compare Madacy*, 421 F.3d at 1086 [App. at 21a] with ER 29-3/6; ER168-36 (June 28, 2000 SFX agreement); ER49-37; ER61-31; ER 168-3; ER200-198; ER292-50]; [*Compare M2 Communications*, 149 Fed.Appx. at 615 [App. at 33a] with ER4-8; ER92-3; ER151-34].

for the additional reason of preserving the Petitioner's due process rights to appellate review of its basic claims.

IV. DESPITE THE AMPLE BASIS PRESENTED FOR SUMMARY REVERSAL, IF CERTIORARI IS NOT GRANTED, CORPORATIONS IN THE UNITED STATES MUST CONTINUE TO OPERATE ON AN UNCERTAIN AND UNEVEN LEGAL PLAYING FIELD THAT PROVIDES UNEQUAL PROTECTION OF CORPORATE TRADEMARKS DEPENDING ON CIRCUIT

While ample basis is presented for summary reversal under Supreme Court Rule 16.1, the issue presented in this Petition is of such great importance to the ability of corporations to protect their substantial investments in the goodwill and reputation of their trademarks, this Court should primarily consider granting certiorari.

This Court has long sought to maintain nationally uniformity in intellectual property laws. *See Park N' Fly*, 469 U.S. at 193. This Court has recognized that it is "[t]he purpose of Congress to have national uniformity in patent and copyright laws," and uniformity in the intellectual property realm of trademarks is no less crucial. *See Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 237 n. 7 (1964). The uncertainty and mixed standards outlined herein run contrary to the rationale for the Lanham Act, for which it was "the intent of Congress to provide for a thriving business environment by granting nationwide protection to expanding businesses." *Beatrice Foods Co.*, 429 F.2d 466, 472 (C.C.P.A. 1970). Without this Court's review, "likelihood of confusion" standards will remain undefined. The degree of protection granted to the federal trademarks currently depends upon varying standards and interpretations of the circuits, adding a substantial and unnecessary degree of risk to this nation's investment in its corporate brands, trademarks, service marks and trade names.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

Mark L. Pettinari
Counsel of Record
LAW OFFICES OF MARK L. PETTINARI
Stock Exchange Tower
155 Sansome Street, Suite 400
San Francisco, CA 94104
Tel (415) 240-4200
Attorney for Petitioner
M2 SOFTWARE, INC.

FOR PUBLICATION

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

M2 SOFTWARE, INC., a Delaware corporation,

Plaintiff-Appellant,

v.

MADACY ENTERTAINMENT, a corporation e/s/a Madacy Entertainment Group, Inc.; HANDLEMAN COMPANY, a corporation; SFX ENTERTAINMENT, a corporation,

Defendants-Appellees.

No. 03-55957

D.C. No. CV-00-02853-AHM

OPINION

Appeal from the United States District Court
for the Central District of California
A. Howard Matz, District Judge, Presiding

Argued and Submitted
February 7, 2005—Pasadena, California

Filed August 31, 2005

Before: Harry Pregerson, William C. Canby, Jr., and Robert R. Beezer, Circuit Judges.

Opinion by Judge Pregerson

COUNSEL

Mark L. Pettinari, San Francisco, California (argued), and Toula Arvanitis-Dalpe, Anahem Hills, California (brief), for the plaintiff-appellant.

Robert H. Rotstein, McDermott, Will & Emery, Los Angeles, California, for the defendants-appellees.

OPINION

PREGERSON, Circuit Judge:

I. OVERVIEW

Plaintiff-Appellant M2 Software, Inc. ("M2 Software") is the owner of **M2**, a federally registered trademark that is used in conjunction with business management and interactive media application goods and services for the film and music industry. Defendants-Appellees Madacy Entertainment, Handleman Company, and SFX Entertainment (collectively, "Madacy") began using **M2 Entertainment** as a trademark for their new record label venture. Following failed licensing negotiations between the parties, M2 Software filed suit against Madacy in early 2000. A week after M2 Software filed its suit against Madacy, Madacy began phasing out the use of its **M2 Entertainment** mark.

M2 Software argued that Madacy's use of the **M2 Entertainment** mark infringed M2 Software's **M2** trademark and would cause a likelihood of confusion. Specifically, M2 Software's complaint alleged Madacy had committed: (1) federal trademark infringement, false designation and description of origin, and trademark dilution; (2) state trademark dilution, injury to business reputation, and unfair trade practices; and (3) common law trademark infringement, passing off, and unfair competition.

On January 8, 2002, the district court granted partial summary judgment in favor of Madacy. The district court ruled that no rational trier of fact could find a likelihood of forward confusion among either general consumers or music industry members or a likelihood of reverse confusion among music industry members.

A jury trial commenced on May 13, 2003. The only issue that went to the jury was whether there was a likelihood of reverse confusion among general consumers, i.e., consumers who were not members of the music industry. In other words, the jury was asked to decide whether general consumers would mistakenly believe that they were purchasing Madacy's products when in fact, they were purchasing M2 Software's products.

Three days later, the jury returned a verdict in favor of Madacy, finding that it was not liable for reverse trademark confusion among general consumers. The district court entered judgment in favor of Madacy.

M2 Software timely filed its Amended Notice of Appeal. It now challenges: (1) the district court's grant of partial summary judgment in favor of Madacy; (2) the district court's denial of M2 Software's motion for reconsideration of partial summary judgment; (3) the district court's entry of judgment as a matter of law for SFX Entertainment; (4) the district court's evidentiary rulings on motions in limine; (5) the district court's jury instructions and special verdict form; and (6) the district court's decision to bifurcate the trial by first presenting the liability claim to the jury. M2 Software also asks for attorneys' fees under the Lanham Act. We have jurisdiction under 28 U.S.C. § 1291, and we affirm.

II. FACTS AND PROCEDURAL HISTORY

In 1991, Metabolic Music, Inc., adopted **M2** as a brand and trade name. Metabolic Music later amended its corporate

name to M2 Software, Inc. On August 30, 1994, Metabolic Music submitted a trademark application to the United States Patent and Trademark Office ("USPTO") for federal registration of its **M2** word mark. Approximately fourteen months later, the USPTO granted Registration Number 1,931,182 for the **M2** trademark and entered the mark on the Principal Register. The **M2** mark is now deemed incontestable by the USPTO pursuant to 15 U.S.C. § 1065.[1]

M2 Software's trademark application stated that the M2 mark would be used in conjunction with:

> computer software featuring business management applications for the film and music industries; and interactive multimedia applications for entertainment, education and information, in the nature of artists' performances and biographical information from the film and music industries; and instructions and information playing musical instruments.

M2 Software primarily developed and licensed database software used for processing and managing data of major record companies' musical works. M2 Software's two database programs are called the "Record Label Management System" ("RLMS") and the "Music Publisher Management System" ("MPMS").[2] M2 Software licensed these databases to several record companies.

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[1]If the registered trademark-holder satisfies additional conditions, including continuous use of the registered mark for five consecutive years, absent certain listed exceptions, the registration of the mark becomes "incontestable." 15 U.S.C. § 1065. Once a mark is deemed "incontestable," the trademark-holder is entitled to an exclusive right to use the mark that can be defeated only on specifically enumerated grounds. *Casual Corner Assocs., Inc. v. Casual Stores of Nev., Inc.*, 493 F.2d 709, 711-12 (9th Cir. 1974).

[2]The RLMS system is a software database system that contains music-related information about songs, albums, artists, and music publishers. M2 Software sells the RLMS only to record companies, and not to the general public. The MPMS is a similar database for use by music publishers.

Using these database programs, M2 Software also provided music content administration services. These administration services include: (1) processing of record labels' album catalogs, song catalogs, artist and band rosters, and sales information; (2) briefing of recording artist and producer contracts; and (3) generating royalty statements and reports.

In addition to providing database products and music content administration services to major record companies, a small portion of M2 Software is devoted to music production. Particularly, M2 Software sells a small line of interactive music on CD-ROM, floppy media, and audio-only CDs. These interactive music products bear the M2, **M2 Interactive**, or **M2 Music** marks and are offered for sale on M2 Software's internet website and at the website "Amazon.com."

Madacy, the alleged infringer, is a recording and distribution company that specializes in low-price collections of recorded music. Generally, Madacy licenses the music it distributes from other companies, such as BMG Music.

In 1999, Madacy created a new division named M2 Entertainment. The new division would use **M2 Entertainment** as the trademark for its full-priced CDs featuring a line of sports-related music tied to local professional sports teams. Madacy filed an "intent-to-use" trademark application with the USPTO for its **M2 Entertainment** mark in August 1999.[3]

On December 30, 1999, M2 Software sent cease and desist letters to Madacy's chief executive officer and to SFX Entertainment's chairman, demanding that the companies stop using M2 Software's senior and federally registered M2 trade-

[3]The trademark application stated that the M2 Entertainment mark was to be used in connection with "sound recording featuring music, namely phonographic records, audio tapes, and compact discs featuring music; and entertainment services, namely the marketing, production and distribution of phonographic records, audio tapes, and compact discs."

mark.[4] Following receipt of these letters, a representative from Madacy approached M2 Software with an offer to enter a licensing agreement for the **M2** trademark.

While licensing negotiations were underway between Madacy and M2 Software, Madacy ran a multi-page advertising supplement in the February 28, 2000, edition of Billboard magazine. The supplement promoted Madacy's twentieth anniversary, and the launch of Madacy's new **M2 Entertainment** branded record label venture. A full-page of the supplement was devoted to an ad bearing Madacy's **M2 Entertainment** logo.

As a result of this multi-page advertising supplement, M2 Software commenced the present suit against Madacy on March 21, 2000. Nearly a week later, Madacy began phasing out its **M2 Entertainment** mark.

In its suit against Madacy, M2 Software alleged that Madacy's use of the **M2 Entertainment** mark infringed M2 Software's federally registered **M2** trademark and would cause a likelihood of confusion. Specifically, M2 Software claimed in its complaint that by using the **M2 Entertainment** mark, Madacy had committed: (1) trademark infringement in violation of 15 U.S.C. § 1114; (2) false designation and description of origin in violation of 15 U.S.C. § 1125(a); (3) trademark dilution in violation of 15 U.S.C. § 1125(c); (4) state trademark dilution and injury to business reputation in violation of California Business and Professions Code section 14330; (5) state unfair trade practices in violation of California Business and Professions Code section 17200; and (6) common law trademark infringement, passing off, and unfair competition.

[4] "The first to use a mark is deemed the 'senior' user and has the right to enjoin 'junior' users from using confusingly similar marks in the same industry and market or within the senior user's natural zone of expansion." *Brookfield Communications, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1047 (9th Cir. 1999).

The case was assigned to Judge Lourdes Baird in the Central District of California. On January 8, 2002, Judge Baird granted partial summary judgment in favor of Madacy. Judge Baird ruled that there was no triable issue of likelihood of forward confusion among general consumers and music industry members, or of likelihood of reverse confusion among music industry members. The district court's ruling was based, in part, on *M2 Software, Inc. v. Viacom, Inc.*, 119 F. Supp. 2d 1061 (C.D. Cal. 2000).

Approximately three weeks after the district court granted partial summary judgment against M2 Software, we reversed the *Viacom* decision by a memorandum disposition. *See M2 Software, Inc. v. Viacom, Inc.*, 2002 WL 123574 (9th Cir. Jan. 30, 2002) (mem.). Following our remand of *Viacom* on May 14, 2002, the case was randomly reassigned to Judge A. Howard Matz. Because both the current case and the *Viacom* case involved the alleged infringement of the **M2** mark, the current case was reassigned from Judge Baird to Judge Matz on May 29, 2002.

Nearly a year before the jury trial commenced, M2 Software filed with Judge Matz a motion for reconsideration of Judge Baird's January 8, 2002, partial summary judgment order. The basis of M2 Software's motion for reconsideration was that the Ninth Circuit's unpublished memorandum disposition in *Viacom* constituted new law that warranted reversal of Judge Baird's order. Judge Matz ruled that *Viacom* was not an intervening change in Ninth Circuit law and denied M2 Software's motion for reconsideration on July 29, 2002.

Judge Matz later ruled on numerous motions in limine, and a jury trial commenced on May 13, 2003. The trial was restricted to the remaining issue of reverse confusion: whether general consumers who were not music industry members would mistakenly believe that they were purchasing Madacy's products while in fact they were purchasing M2 Software's products.

Before the case was submitted to the jury, SFX Entertainment (one of Madacy's co-defendants) moved for judgment as a matter of law, arguing that SFX Entertainment was not directly involved with the alleged trademark infringement. The district court agreed and granted SFX Entertainment judgment as a matter of law on May 15, 2003.

A day later, the jury returned a special verdict finding Madacy not liable. The district court entered judgment against M2 Software on May 30, 2003, and M2 Software timely filed its Amended Notice of Appeal on June 2, 2003.

III. ANALYSIS

M2 Software now appeals: (1) the district court's grant of partial summary judgment in favor of Madacy; (2) the district court's denial of M2 Software's motion for reconsideration of partial summary judgment; (3) the district court's entry of judgment as a matter of law for SFX Entertainment; (4) the district court's evidentiary rulings on certain motions in limine; (5) the district court's decision to bifurcate the trial; and (6) the district court's jury instructions and special verdict form. Furthermore, M2 Software seeks attorneys' fees under the Lanham Act, 15 U.S.C. § 1117. As discussed below, we affirm because the district court did not err in determining there was no likelihood of confusion between the marks. In addition, the district court acted within its discretion in managing the trial and any errors were harmless.

A. The District Court's Grant of Partial Summary Judgment

[1] This case deals with "two distinct claims in the trademark infringement context: forward confusion and reverse confusion." *Surfvivor Media, Inc. v. Survivor Prods.*, 406 F.3d 625, 630 (9th Cir. 2005). Forward confusion occurs when consumers mistakenly associate a junior user's mark with that of a "well-known senior mark." *Dreamwerks Prod.*

Group, Inc. v. SKG Studio, 142 F.3d 1127, 1130 n.5 (9th Cir. 1998). Reverse confusion cases, however, involve consumers dealing with a senior trademark-holder believing all the while that they are doing business with a junior user. *See Surfvivor Media, Inc.*, 406 F.3d at 630.

[2] Both reverse and forward confusion cases require the plaintiff to demonstrate a likelihood of confusion among consumers. Therefore, to survive summary judgment on its forward confusion claim in this case, M2 Software must raise a material question of fact whether the general public and the music industry members thought that M2 Software was the source of Madacy's CDs. Furthermore, to withstand summary judgment on its reverse confusion claim, M2 Software must demonstrate that a question of material fact remains whether music industry members believed that Madacy was the source of M2 Software's goods.

[3] The test of trademark infringement under state, federal, and common law is whether there will be a likelihood of confusion.[5] *See Cleary v. News Corp.*, 30 F.3d 1255, 1262-63 (9th Cir. 1994). To determine whether there is a likelihood of confusion between the parties' allegedly related goods and services, we consider the following eight *Sleekcraft* factors: (1) strength of the mark; (2) proximity of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) type of goods and the degree of care likely to be exercised by the purchaser; (7) defendant's intent in selecting the mark; and (8) likelihood of expansion of the product lines. *See AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979).

[5]Furthermore, for M2 Software to succeed on each of its other federal, state, and common-law based claims, it must establish a likelihood of confusion. *See Walter v. Mattel, Inc.*, 210 F.3d 1108, 1111 (9th Cir. 2000) ("The test for false designation under the Lanham Act, as well as the common-law and statutory unfair competition claims, is whether there was a 'likelihood of confusion.' ").

Some *Sleekcraft* factors "are much more important than others, and the relative importance of each individual factor will be case specific." *Brookfield*, 174 F.3d at 1054. In essence, "[t]he test for likelihood of confusion is whether a 'reasonably prudent consumer' in the marketplace is likely to be confused as to the origin of the good or service bearing one of the marks." *Dreamwerks Prod. Group, Inc.*, 142 F.3d at 1129.

The district court did not analyze each *Sleekcraft* factor separately. Instead, the district court discussed each factor "in the context of the facts that are marshaled by each side." The district court granted partial summary judgment in favor of Madacy. The court ruled as a matter of law (1) that there was no likelihood of forward confusion among either general consumers or music industry members, and (2) that there was no likelihood of reverse confusion among music industry members.

We review summary judgments *de novo*. *See Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1257 (9th Cir. 2001). As we now explain, an analysis of the *Sleekcraft* factors supports the conclusion of the district court that there was no triable issue of the likelihood of confusion.

i. Strength of Mark

Trademarks are categorized as generic, descriptive, suggestive, and arbitrary or fanciful. *See Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992). A generic mark is the least distinctive, and an arbitrary or fanciful mark is the most distinctive. *See GoTo.com, Inc. v. Walt Disney Co.*, 202 F.3d 1199, 1207 (9th Cir. 2000). The more distinctive a mark, the greater its conceptual strength; in other words, a mark's conceptual strength is proportional to the mark's distinctiveness.

In analyzing the first *Sleekcraft* factor, the district court was presented with evidence that M2 Software first used the **M2**

mark in commerce in January 1992, registered the mark with the USPTO in 1994, and devoted resources to maintaining the mark. And up to late 1999, M2 Software had scant sales of its CD products and devoted a meager investment of $14,500 in direct advertising for these products.

The district court, when it conducted its *Sleekcraft* analysis, relied heavily on M2 Software's scant sales of, at most, 215 CDs, and its meager advertising expenditures for its CD products. On the basis of M2 Software's scant sales and meager advertising expenditures, the court concluded that even though the fanciful **M2** mark was conceptually strong, no reasonable trier of fact could find for M2 Software on the issue of likelihood of forward confusion as to the general public. M2 Software argues that, by considering its scant sales and meager advertising expenditures, the district court erroneously required that M2 Software's fanciful mark acquire a secondary meaning. We disagree.

[4] A mark's overall strength is relative and cannot be determined by mechanistically assessing its conceptual or commercial strengths. Our court has previously recognized that a suggestive or descriptive mark, which is conceptually weak, can have its overall strength as a mark bolstered by its commercial success. *See, e.g., Entrepreneur Media, Inc. v. Smith*, 279 F.3d 1135, 1144 (9th Cir. 2002) (recognizing that an otherwise inherently weak mark "may be strengthened by such factors as extensive advertising, length of exclusive use, public recognition" (citation and internal quotation marks omitted)); *GoTo.com*, 202 F.3d at 1208 (stating that GoTo's "tremendous success" strengthened its otherwise suggestive mark); *Brookfield*, 174 F.3d at 1058 (noting that "placement within the conceptual distinctiveness spectrum is not the only determinant of a mark's strength, as advertising expenditures can transform a suggestive mark into a strong mark where, for example, that mark has achieved actual marketplace recognition" (internal citation omitted)); *Sleekcraft*, 599 F.2d at 350 (stating that a suggestive mark may be strengthened by adver-

tising; otherwise the weak mark is "entitled to a restricted range of protection"). But we have never held that an arbitrary or fanciful mark (i.e., a conceptually strong mark) can have its overall strength diminished by feeble commercial success. We decline to do so today. Rather, we hold that a lack of commercial strength cannot diminish the overall strength of a conceptually strong mark so as to render it undeserving of protection. Otherwise, a mark which is conceptually strong may never have the opportunity to blossom into its full commercial potential through effective marketing.

[5] That being said, we conclude that the first *Sleekcraft* factor weighs in M2 Software's favor, and that the district court properly considered the overall strength of the **M2** mark. Indeed, the district court acknowledged that M2 Software's **M2** mark was fanciful, federally-registered, and incontestable.[6] The district court then weighed the remaining *Sleekcraft* factors based on the overall strength of the M2 mark, and the court focused on the ultimate question posed by the *Sleekcraft* analysis: the likelihood of confusion as to the source of the product.

ii. Proximity of Goods

[6] When dealing with the second *Sleekcraft* factor, the courts assess whether the goods are related or complementary. *Sleekcraft*, 599 F.2d at 350. Where the goods are related or complementary, the danger of confusion is heightened. *See id.* It is undisputed that M2 Software distributes a line of products that includes audio CDs and has a website that provides audio content for downloading. At a minimum, both M2 Software and Madacy distributed music and CDs. Therefore this *Sleekcraft* factor weighs in M2 Software's favor, but only

[6] "[The] burden of proving likelihood of confusion (that is, infringement) [remains] on the party charging infringement even when relying on an incontestable registration." *KP Permanent Make-Up, Inc., v. Lasting Impression I, Inc.*, 125 S. Ct. 542, 548 (2004).

slightly because the genres of the music CDs are very significantly different.[7] *See Sleekcraft*, 599 F.2d at 350 (noting that goods are proximate if "the goods are similar in use and function"). Thus, the district court did not err in ruling that this factor, "if it can support plaintiff's case at all, does so very slightly."

iii. Similarity of Marks

The similarity of marks "has always been considered a critical question in the likelihood-of-confusion analysis." *See GoTo.com*, 202 F.3d at 1205. Similarity of marks is assessed "in terms of their sight, sound, and meaning." *Official Airline Guides, Inc. v. Goss*, 6 F.3d 1385, 1392 (9th Cir. 1993) (citations omitted). Moreover, the trademark is not judged by an examination of its parts, but rather "the validity and distinctiveness of a composite trademark is determined by viewing the trademark as a whole, as it appears in the marketplace." *Id.*

M2 Software stresses that Madacy's **M2 Entertainment** mark was identical to its **M2** mark in both sight and sound. Madacy, on the other hand, argues that the two marks are not sufficiently similar because the "M2" in Madacy's **M2 Entertainment** mark is highly stylized and conjoined with the "Entertainment," lacks the oval which appears around M2 Software's **M2** mark, and is used in connection with other more distinctive marks like the **Lakers** or the **NBA**.

[7] The district court compared the marks and took into account the similarity of the sight, sound, and meaning of the two marks. After considering (1) the addition of "Entertainment" by Madacy, (2) the use of the mark "interactive" in addition to **M2** on M2 Software's CDs, (3) the use of other marks in addition to **M2 Entertainment** on Madacy's CDs,

[7]M2 Software distributed acid jazz music while Madacy distributed sports-related music.

and (4) the fanciful nature of M2 Software's **M2** mark, the district court ruled that the third *Sleekcraft* factor weighed only very slightly in M2 Software's favor. This ruling was not erroneous. The district court considered the marks "in their entirety and as they appear[ed] in the marketplace." *Alpha Indus., Inc. v. Alpha Steel Tube & Shapes, Inc.*, 616 F.2d 440, 444 (9th Cir. 1980); *see also Lindy Pen Co. Inc. v. Bic Pen Corp.*, 725 F.2d 1240, 1245 (9th Cir. 1984) ("The two marks viewed in isolation are indeed identical, but their similarity must be considered in light of the way the marks are encountered in the marketplace and the circumstances surrounding the purchase of the [products].").

iv. Evidence of Actual Confusion

"Evidence that use of the two marks has already led to confusion is persuasive proof that future confusion is likely." *Sleekcraft*, 599 F.2d at 352. As evidence of actual confusion, M2 Software attempted to offer a likelihood of confusion survey in its opposition to Madacy's summary judgment motion. The district court, as discussed below, properly excluded M2 Software's survey.

M2 Software now attempts to offer evidence of actual confusion among one of its previous customers allegedly caused by Madacy's use of the **M2** mark. Specifically, M2 Software contends that Ms. Patricia Weymss, a record label executive formerly employed by an M2 Software licensee, informed M2 Software that she saw an ad in which Madacy was using the **M2 Entertainment** mark.

In the lower court proceedings, however, M2 Software did not discuss Ms. Weymss's deposition testimony. The deposition transcripts were merely attached as an exhibit to Madacy's summary judgment motion and as an exhibit to a declaration filed by M2 Software in opposition to Madacy's summary judgment motion. In its opposition to Madacy's summary judgment motion, M2 Software failed to raise the

issue or argue that Ms. Weymss was confused by Madacy's use of the **M2 Entertainment** mark. Thus, M2 Software cannot offer this evidence on appeal. *See Harkins Amusement Enters., Inc. v. Gen. Cinema Corp.*, 850 F.2d 477, 482 (9th Cir. 1988) (stating that only those items referred to in parties' partial summary judgment memoranda in trial court could be considered on appeal and that the panel's analysis was limited to the factual assertions raised in the district court papers).

[8] Even if we consider Ms. Weymss's testimony, the evidence fails to show actual confusion.[8] *See Sleekcraft*, 599 F.2d at 352 (noting that "courts have often discounted such evidence because it was unclear or insubstantial"). At best, the evidence demonstrates that Ms. Weymss was *reminded* of M2 Software when she saw Madacy's advertisement bearing the M2 Entertainment mark. For example, Ms. Weymss testified: "I saw the advertisement. I saw M2. I remembered [M2 Software's President]. I hadn't spoken to him in months. I said, oh, I should give him a call and say hi." Absent additional evidence, Ms. Weymss's testimony was not enough to demonstrate actual confusion. *See Cohn v. Petsmart, Inc.*, 281 F.3d 837, 843 n.7 (9th Cir. 2002) (noting that "while enquiry evidence is admissible and relevant, standing alone with no other evidence it is insufficient proof of actual confusion." (citation omitted)). Therefore, the fourth *Sleekcraft* factor weighs in Madacy's favor.

v. Marketing Channels Used

"Convergent marketing channels increase the likelihood of confusion." *Nutri/System, Inc. v. Con-Stan Indus., Inc.*, 809 F.2d 601, 606 (9th Cir. 1987). The district court ruled that the fifth *Sleekcraft* factor weighed, at best, only very slightly in M2 Software's favor. The district court determined that there was no significant overlap in advertising markets. The court concluded that the only overlap between Madacy's and M2

[8]Accordingly, Madacy's tedious motion to strike is denied as moot.

Software's goods occurred on the website "Amazon.com," where the music CDs of both companies could potentially have been purchased.

M2 Software takes issue with the district court's conclusion and argues that Madacy uses the same marketing channels because Madacy also launched its **M2 Entertainment** branded record label during a music industry trade show; because both M2 Software's **M2** mark and Madacy's **M2 Entertainment** mark had been advertised in similar magazines; and because both M2 Software and Madacy had established a music industry presence in Los Angeles, New York, Miami, and Nashville. M2 Software, however, fails to discuss important distinctions in the marketing channels used. M2 Software promoted its **M2** products in specialty music industry publications, whereas Madacy did not promote its **M2 Entertainment** CDs in these publications. Furthermore, M2 Software argues that both marks were launched at the same trade show. However, even though Madacy launched its **M2 Entertainment** record label at the same trade show, it did so nearly a decade *after* M2 Software launched its **M2** products.

[9] Next, even though both M2 Software and Madacy offered their CDs for sale over the internet in general, and on "Amazon.com" in particular, M2 Software failed to provide evidence of sales attributable to M2 Software's website. Finally, unlike Madacy's music albums, M2 Software's products were not sold in retail outlets. In light of these differences, we conclude that the district court erred, although harmlessly, in ruling that this factor slightly favored M2 Software. Our weighing of the factor tilts strongly toward Madacy, and weighs heavily in the ultimate assessment that there was no triable issue of the likelihood of confusion.

vi. Type of Goods and the Degree of Care Likely to Be Exercised by the Purchaser

The type of goods and the degree of care likely to be exercised by the consumer is the sixth *Sleekcraft* factor to be con-

sidered. In this case, M2 Software offers two discrete types of products, each with a distinct group of purchasers.

The first type includes record label and music management administration database programs (including the RLMS and MPMS programs). The primary audience for the record label and music management administration database software products comprises music industry professionals.

The purchasers of the record label and music management databases (and associated services) are highly sophisticated members of the music industry. Regardless of any trademark, they would be well informed about the nature of a database program and its producer before making a purchasing decision. Thus, the possibility that these members of the music industry would be confused about the record label and music management products and services is almost nil.

The second type includes musical works (offered on audio CDs and interactive CD-ROMs, for example). Of the 880 copies of the musical works distributed by M2 Software, 215 CDs at most were purchased by consumers at large. The remaining copies were distributed to various people and not directly sold by M2 Software.

In contrast to those purchasing the record label and music management databases, the purchasers of the musical works (audio CDs, for example) are less sophisticated. Even though more than half of the 880 copies of M2 Software's musical works were distributed to people in the music industry, copies of the musical works were sold to consumers at large. "[E]quity will protect even the uncommonly naive against deception from unfair competition." *Stork Rest., Inc. v. Sahati*, 166 F.2d 348, 358 (9th Cir. 1948). Thus, likelihood of confusion of the casual consumer and the "discerning buyer" must be considered. *Oriental Foods, Inc. v. Chun King Sales, Inc.*, 244 F.2d 909, 915 (9th Cir. 1957).

[10] The district court, in performing its *Sleekcraft* analysis, properly considered *both* the general consumers and the music industry members. The district court concluded that the sixth *Sleekcraft* factor weighed in Madacy's favor. This conclusion was not erroneous because M2 Software failed to demonstrate that a reasonable jury could find for M2 Software on the possibility of confusion among the casual consumer; confusion would be even less likely among the discerning music industry members.

vii. Defendant's Intent in Selecting the Mark

It is settled that "[a] party claiming trademark infringement need not demonstrate that the alleged infringer intended to deceive consumers." *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1293 (9th Cir. 1992). When the alleged infringer knowingly adopts a mark similar to another's, we must presume that the public will be deceived. *See Sleekcraft*, 599 F.2d at 354.

M2 Software presented evidence that Madacy was aware of M2 Software's **M2** mark. Specifically, M2 Software demonstrated that Madacy conducted a trademark search for "record label" uses prior to the launch of its **M2 Entertainment** mark which uncovered M2 Software's **M2** mark. M2 Software claims that this is proof of Madacy's wrongful intent. M2 Software overstates Madacy's ill intentions. In fact, as a result of the search, Madacy's attorney believed that Madacy could "carve out" a non-infringing mark, even with the existence of M2 Software's **M2** mark.

[11] The district court ruled that even though Madacy exercised questionable judgment in proceeding with the **M2 Entertainment** mark in the face of the **M2** mark, M2 Software failed to present evidence "that would justify a trier of fact in concluding that [Madacy], with 20 years of experience in the music industry and the ability to produce almost 40,000 CDs in less time than M2 Software could sell 200 CDs, had

any intention of capitalizing on M2 Software's trademark." We agree and hold that the district court did not err in concluding that the seventh *Sleekcraft* "intent" factor also leans towards Madacy's favor.

viii. Likelihood of Expansion of the Product Lines

[12] M2 Software claims that because it began to broaden marketing of its "interactive content" on the internet, the eighth *Sleekcraft* factor should weigh in its favor. However, there is a need for "a *strong* possibility of expansion into competing markets" for this factor to "weigh[ ] in favor of a finding of infringement." *E. & J. Gallo*, 967 F.2d at 1293 (emphasis added). M2 Software sold no more than 215 CDs over a ten-year period. This undermines M2 Software's claims that there was a strong possibility of it expanding into competing markets — it was doubtful that M2 Software would expand into general retail distribution of audio CDs. Thus, this *Sleekcraft* factor also favors Madacy.

* * *

[13] To prevail on the ultimate question toward which the *Sleekcraft* analysis is directed — the likelihood of confusion of consumers — M2 Software must show sufficient evidence to permit a rational trier of fact to find that confusion is "probable," not merely "possible." *Murray v. CNBC*, 86 F.3d 858, 861 (9th Cir. 1996). M2 Software failed to make such a showing. In sum, Madacy's use of the **M2** mark was not "likely to confuse *an appreciable number* of people as to the source of the product." *Entrepreneur Media, Inc.*, 279 F.3d at 1151 (emphasis added). Therefore, we hold that the district court did not err in its weighing of the *Sleekcraft* factors and in reaching the overall conclusion that M2 Software had failed to raise a triable issue as to a likelihood of confusion.[9]

[9]We deny Madacy's request for judicial notice.

B. The District Court's Denial of M2 Software's Motion for Reconsideration

We review a district court's denial of a motion for reconsideration for an abuse of discretion. *See Kona Enters., Inc. v. Estate of Bishop*, 229 F.3d 877, 883 (9th Cir. 2000).

M2 Software contends that Judge Matz erred in denying its motion for reconsideration of Judge Baird's order granting partial summary judgment in favor of Madacy. According to M2 Software, Judge Baird's order was based on *M2 Software, Inc. v. Viacom, Inc.*, which was subsequently reversed in an unpublished decision. M2 Software argues that because our unpublished memorandum disposition reversing *Viacom* constituted new law, Judge Matz should have reconsidered Judge Baird's order granting partial summary judgment in favor of Madacy.

Contrary to M2 Software's contentions, the order granting partial summary judgment against M2 Software relied on the *Viacom* decision only for the narrow proposition that the recognition of M2 Software's trademark in the software field was not likely "to spill over into the musical CD field." Moreover, Judge Baird accepted that there was some *theoretical* relationship between the two fields. M2 Software, however, failed to present evidence to create the inference that there was "an actual *marketing* relationship, one that might be reflected in sales, business opportunities, or recognition." (emphasis in original).

[14] Because Judge Baird's reasoning and legal conclusions for granting partial summary judgment in favor of Madacy were supported by other case law, her minimal reliance on the later reversed *Viacom* decision was irrelevant. Thus, Judge Matz properly ruled that the unpublished memorandum disposition for *Viacom* was not binding precedent, *see* Ninth Circuit Rule 36-3(a) (stating that unpublished dispositions of the circuit are not binding precedent except under rel-

evant exceptions), and did not err in denying M2 Software's motion for reconsideration.

C. Judgment as a Matter of Law for SFX Entertainment

A district court's grant of a motion for judgment as a matter of law is reviewed *de novo*. *See Horphag Research Ltd. v. Pellegrini*, 337 F.3d 1036, 1040 (9th Cir. 2003). "In reviewing a judgment as a matter of law, the evidence must be viewed in the light most favorable to the nonmoving party, and all reasonable inferences must be drawn in favor of that party." *Id.*

Before the case was submitted to the jury, co-defendant SFX Entertainment alleged that it was not directly involved with the trademark infringement. The district court agreed and granted judgment as a matter of law in SFX Entertainment's favor.

[15] This ruling was proper. M2 Software did not present any evidence that SFX Entertainment was involved in the production, manufacturing, marketing, sale, or distribution of **M2 Entertainment** products. There was no evidence that SFX Entertainment, the parent company, was liable for the actions of Alphabet City, its subsidiary. The district court therefore did not err in granting SFX Entertainment judgment as a matter of law because a reasonable jury would not find any liability for SFX Entertainment.

D. The District Court's Evidentiary Rulings

M2 Software also challenges many of the district court's evidentiary rulings. M2 Software contends that the district court erred by: (1) excluding a likelihood of confusion survey conducted on behalf of M2 Software; (2) excluding evidence of Madacy's common manufacture of allegedly related products; (3) excluding evidence of M2 Software's successful

enforcement of its trademark; and (4) admitting evidence of potential third-party infringers of the **M2** mark.

A district court's evidentiary rulings are reviewed for an abuse of discretion. *See City of Long Beach v. Standard Oil Co.*, 46 F.3d 929, 936 (9th Cir. 1995). Prejudice must be shown to warrant a reversal. *See id.* As explained below, the district court did not abuse its discretion in any of the evidentiary rulings of which M2 Software presently complains.

i. Exclusion of M2 Software's "Likelihood of Confusion" Survey

Admissibility of a survey is a threshold question that must be resolved by a judge. *See Clicks Billiards*, 251 F.3d at 1263 ("Treatment of surveys is a two-step process. First, is the survey admissible? That is, is there a proper foundation for admissibility, and is it relevant and conducted according to accepted principles? This threshold question may be determined by the judge." (internal citations omitted)). Surveys in trademark cases are to be admitted as long as they are "conducted according to accepted principles." *Prudential Ins. Co. v. Gibraltar Fin. Corp.*, 694 F.2d 1150, 1156 (9th Cir. 1982).

M2 Software's survey was twice excluded by the district court because it was not created or conducted in a manner that complied with appropriate standards. The survey was excluded for the first time by Judge Baird when the court granted partial summary judgment against M2 Software. The survey was excluded a second time by Judge Matz when the court ruled on evidentiary matters.

[16] Both district judges properly rejected the M2 Software's survey because the survey's creator "did not qualify as an expert on designing or analyzing consumer surveys." Moreover, M2 Software failed to "show that the survey was conducted in accordance with generally accepted survey principles and that the results were used in a statistically correct

manner." *Keith v. Volpe*, 858 F.2d 467, 480 (9th Cir. 1988). M2 Software's arguments regarding the weight of the survey are misplaced because M2 Software first failed to provide a proper foundation for admissibility of its survey. *See Clicks Billiards*, 251 F.3d at 1263 ("Once the survey is admitted, however, follow-on issues of methodology, survey design, reliability, the experience and reputation of the expert, critique of conclusions, and the like go to the weight of the survey rather than its admissibility."). Thus, the district court did not abuse its discretion in rejecting M2 Software's survey evidence.

ii. Exclusion of Evidence of M2 Software's Successful Enforcement of Its M2 Trademark

[17] The district court excluded evidence of M2 Software's legal fees in defending its mark against other alleged infringers because such evidence was irrelevant to the case at hand. Moreover, notwithstanding the district court's ruling, M2 Software was still able to elicit some testimony regarding its enforcement efforts at trial. Accordingly, the district court did not abuse its discretion in excluding this evidence, and error, if any, was harmless.

iii. Admission of Evidence of Similar Marks Other Than Madacy's and Exclusion of Allegedly Related Products

The district court permitted Madacy to present limited evidence of existing third-party marks in the relevant field which were similar to M2 Software's to demonstrate that it was less likely that M2 Software's customers would associate M2 Software's products with those of Madacy's, as opposed to other third parties. The district court, however, did not permit Madacy to introduce non-probative evidence of third-party marks in unrelated fields or of music albums that merely contained an "M2" in the title.

[18] Use of similar marks by third-party companies in the relevant industry weakens the mark at issue. *See Miss World (UK) Ltd. v. Mrs. America Pageants, Inc.*, 856 F.2d 1445, 1449 (9th Cir. 1988); *see also Eclipse Assocs. Ltd. v. Data Gen. Corp.*, 894 F.2d 1114, 1119 (9th Cir. 1990) ("Evidence of other *unrelated* potential infringers is irrelevant to claims of trademark infringement and unfair competition under federal law." (emphasis added)). Therefore, the district court did not abuse its discretion by its evidentiary rulings that related to similar third-party marks.

The district court also restricted M2 Software from introducing evidence of Madacy products that did not bear the **M2** mark because such evidence was not relevant to the *Sleekcraft* likelihood of expansion factor. M2 Software argues that the district court erred because this was evidence of common manufacture of related products which demonstrated a likelihood of expansion. We disagree. The evidence did not have a tendency to show that a likelihood of expansion was more probable than not. *See* Fed. R. Evid. 401 (" 'Relevant evidence' means evidence having any tendency to make the existence of any fact that is of consequence to the determination of the action more probable or less probable than it would be without the evidence."). In sum, the district court did not abuse its discretion, and error, if any, in excluding the irrelevant evidence was harmless.

E. Bifurcation of the Trial on Liability and Damages

The district court's decision to bifurcate a trial is reviewed for an abuse of discretion. *See Danjaq LLC v. Sony Corp.*, 263 F.3d 942, 961 (9th Cir. 2001).

[19] In this case, the district court informed the parties and the jury of the possibility that the trial would be bifurcated. The parties did not object. In addition, the district court admonished the jury not to let the trial schedule affect its verdict. The district court bifurcated the proceedings for judicial

economy and to avoid prejudice and confusion. The district court had broad discretion to try the liability phase first and did not abuse its discretion in bifurcating the trial. *See* Fed. R. Civ. P. 42(b) ("The court, in furtherance of convenience or to avoid prejudice, or when separate trials will be conducive to expedition and economy, may order a separate trial of any claim, . . . or of any separate issue . . . , always preserving inviolate the right of trial by jury . . . .").

F. Jury Instructions and Special Verdict Form

A district court's formulation of civil jury instructions is reviewed for an abuse of discretion. *See Monroe v. City of Phoenix*, 248 F.3d 851, 857 (9th Cir. 2001). An error in instructing the jury in a civil case does not require reversal if it is harmless. *See id.* at 860.

It is sad to say that this case "set an all-time record of 276 pages for disputed jury instructions." Even though the parties were of minimal assistance, the district court's jury instructions and special verdict form "fairly and adequately cover[ed] the issues presented, correctly state[d] the law, and [were] not misleading." *Fikes v. Cleghorn*, 47 F.3d 1011, 1013 (9th Cir. 1995). As discussed below, the district court did not abuse its discretion in formulating jury instructions and the special verdict form.

i. Jury Instructions Regarding Likelihood of Reverse Confusion

M2 Software complains that the district court's jury instructions and special verdict form erroneously suggested that a reverse confusion infringement suit could not be initiated against a junior trademark-holder unless the junior trademark had already saturated the market. M2 Software, in its opening brief, also contends that the district court should have instructed the jury about "potential customers" and "affilia-

tion, connection, and association." These arguments lack merit.

The district court, in jury instruction number 14, defined reverse confusion as occurring when:

> (1) a senior user of a mark seeks to protect its business identity from being overwhelmed by a larger junior user that has saturated the market with publicity and/or advertising and
>
> (2) consumers doing business with the senior user mistakenly believe that they are dealing with the larger junior user.

This jury instruction mirrored the language used in our circuit's reverse confusion cases. *See, e.g., Playmakers LLC v. ESPN, Inc.*, 376 F.3d 894, 897 (9th Cir. 2004) ("The ultimate question in a reverse confusion case is whether consumers doing business with the senior user might mistakenly believe that they are *dealing with* the junior user." (internal quotation marks omitted) (emphasis added)); *Dreamwerks*, 142 F.3d at 1130 (using same "dealing with" language). Moreover, M2 Software's proposed jury instruction included the same language of, and cited to, the *Dreamwerks* case. There was no need for the district court to use the "affiliation, connection, and association" language advanced by M2 Software.

Furthermore, in reverse confusion cases, the inquiry focuses on the strength of a junior mark. The strength of the junior mark is closely related to how much the market is saturated by the junior mark. *See Dreamwerks*, 142 F.3d at 1130 n.5 (stating that because reverse confusion occurs when a senior user loses its goodwill as a result of saturation by a bigger, more powerful junior user's mark, the inquiry focuses on the strength of the junior mark). Thus, the district court's use of "has saturated the market" was harmless.

As to the potential customers to be considered by the jury in determining whether a likelihood of confusion existed, the district court properly and adequately instructed the jury to consider likelihood of confusion among "general consumers." The district court's instructions also properly and explicitly directed the jury to consider the degree of care of "potential buyers."

[20] The district court's instructions clearly covered the reverse confusion issues to be decided by the jury. Therefore, the district court did not abuse its discretion in formulating the jury instructions regarding reverse confusion and any errors were harmless and do not warrant reversal.

ii. Jury Instructions Regarding M2 Software's Other Federal, State, and Common-Law Based Claims

To succeed on its other claims, M2 Software must prove a likelihood of confusion. *See Cleary*, 30 F.3d at 1262-63 (stating claims under California Business and Professions Code § 17200 are " 'substantially congruent' to claims made under the Lanham Act"); *Walter*, 210 F.3d at 1111 (stating that false designation under the Lanham Act, as well as the common-law and statutory unfair competition claims, require a showing of likelihood of confusion). The district court properly instructed the jury regarding the elements of likelihood of confusion in a succinct manner. With these instructions, the jury returned a defense verdict finding Madacy not liable. In short, the district court did not abuse its discretion in formulating the jury instructions.

G. M2 Software's Request for Attorneys' Fees

[21] Finally, M2 Software argues that attorneys' fees are warranted under the Lanham Act, 15 U.S.C. § 1117. Because M2 Software did not succeed in establishing a violation of its trademark, it is not entitled to attorneys' fees.

IV. CONCLUSION

For the foregoing reasons, we **AFFIRM** the district court's orders granting partial summary judgment in favor of Madacy, granting judgment as a matter of law in favor of SFX Entertainment, and entering final judgment following a jury trial against M2 Software.

APPENDIX B

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

No. 03-56602
D.C. No. CV-02-01588-AHM

Submitted Feb. 7, 2005
Decided Sept. 12, 2005

M2 SOFTWARE INC.,
a Delaware corporation, Plaintiff--Appellant,

v.

M2 COMMUNICATIONS, L.L.C., a limited liability company; Jeff Moseley, an individual; Gaylord Entertainment Inc., a corporation, Defendants--Appellees.

Appeal from the United States District Court for the Central District of California A. Howard Matz, District Judge, Presiding.

Before PREGERSON, CANBY, and BEEZER, Circuit Judges.

MEMORANDUM [FN*]

FN* This disposition is not appropriate for publication and may not be cited to or by the courts of this circuit except as provided by Ninth Circuit Rule 36-3.

*1 Plaintiff M2 Software appeals the district court's grant of summary judgment to defendant M2 Communications on

all of M2 Software's claims under state and federal trademark and unfair competition law. The district court held that there is no likelihood of confusion between M2 Communications' Christian music products and M2 Software's music products and music business services. M2 Software also appeals the dismissal of defendants Gaylord Entertainment and Jeff Moseley for lack of personal jurisdiction.

The parties are familiar with the facts and procedural history of this case, so we do not repeat them here.

I

We review a grant of summary judgment de novo. *Surfvivor Media, Inc. v. Survivor Prods.*, 406 F.3d 625, 630 (9th Cir.2005).

To determine whether there is a likelihood of confusion, we consider the following eight non-exhaustive Sleekcraft factors: (1) strength of the mark; (2) proximity of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) type of goods and the degree of care likely to be exercised by the purchaser; (7) defendant's intent in selecting the mark; and (8) likelihood of expansion of the product lines. *Sleekcraft*, 599 F.2d at 348-349.

The first three factors weigh in favor of M2 Software. Plaintiff's M2 mark is arbitrary or fanciful, making it inherently strong. See *M2 Software, Inc. v. Madacy Entm't*, --- F.3d ----, 2005 WL 2088421 at *5 (9th Cir. Aug.31, 2005) ("[A] lack of commercial strength cannot diminish the overall strength of a conceptually strong mark so as to render it undeserving of protection."). Because both companies distribute music and CDs, the proximity of goods factor tilts in favor of M2 Software, "but only slightly because the genres of the music CDs are very significantly different." *Id.*,

2005 WL 2088421 at *6. The marks "M2" and "M2.0" are almost identical when written or spoken, even though the two logos are slightly different.

The rest of the factors favor M2 Communications. The parties' products are within the same industry but in widely different segments. The products do not compete with each other, nor are they used by the same class of users. The products are each targeted towards a certain niche of the music business, and the niches have very little overlap. Because M2 Communications promotes its products only in Christian magazines and at Christian trade shows, the parties neither advertise nor distribute their products in the same channels. The possibility that the "sophisticated" purchasers of M2 Software's record label music management database services would confuse those products with M2 Communications' Christian music records is "almost nil." *See id.* at *8. M2 Software provided no evidence of actual confusion, nor did it show any present intentions by either party to expand into the other's product line. M2 Communications believed that its own mark did not infringe M2 Software's trademark rights because M2 Software's products did not consist of Christian CDs, tapes, or musical content. *See id.* at *9 (noting that defendant believed it could " 'carve out' a non-infringing mark" and holding that intent factor weighed in favor of defendant).

*2 "To prevail on the ultimate question toward which the Sleekcraft analysis is directed--the likelihood of confusion of consumers--M2 Software must show sufficient evidence to permit a rational trier of fact to find that confusion is 'probable,' not merely 'possible.'" *M2 Software*, 2005 WL 2088421 at *10 (quoting *Murray v. CNBC*, 86 F.3d 858, 861 (9th Cir.1996)). In light of *all* of the *Sleekcraft* factors, the district court correctly concluded that no reasonable jury could find a likelihood of confusion between M2

Communications' Christian music products and M2 Software's music products and music business services. Any errors by the district court in assessing the strength of the marks and the proximity of goods were harmless.

"[R]everse confusion occurs when consumers dealing with the senior mark holder believe that they are doing business with the junior one." *Surfvivor Media*, 406 F.3d at 630. In determining whether there is a likelihood of reverse confusion, courts consider the eight *Sleekcraft* factors. *Id.* at 631. For the same reasons as above, the district court correctly determined that there was no likelihood of reverse confusion.

II

We review de novo an order dismissing parties for lack of personal jurisdiction. *Harris Rutsky & Co. Ins. Servs. v. Bell & Clements Ltd.*, 328 F.3d 1122, 1128 (9th Cir.2003). Where, as here, the district court decides a motion to dismiss for lack of personal jurisdiction without an evidentiary hearing, "the plaintiff need make only a prima facie showing of jurisdictional facts to withstand the motion to dismiss. That is, the plaintiff need only demonstrate facts that if true would support jurisdiction over the defendant." *Doe v. Unocal Corp.*, 248 F.3d 915, 922 (9th Cir.2001) (citations and internal quotation marks omitted).

We will attribute the contacts of Word Entertainment to its parent company Gaylord Entertainment for jurisdictional purposes only if Word is Gaylord's alter ago or if Word acts as the general agent for Gaylord. *Id.* at 1134. Gaylord's statements that it acquired the assets of, and later sold, Word as a "division" are consistent with Gaylord's status as an investor and do not on their own imply that Gaylord had sufficient control to render Word a mere

instrumentality of Gaylord. *See id.* at 1134-35 (articulating tests to be used in determining if a subsidiary is an alter ego or agent of a parent company for jurisdictional purposes). The sole fact that the president of Creative Content Group is an executive officer of Gaylord does not render Word an alter ego or agent. *Id.* The fact that Gaylord is listed as the technical contact for the website wordentertainment.com is not substantial enough to support general jurisdiction. M2 Software fails to demonstrate facts sufficient to support general jurisdiction over Gaylord Entertainment.

M2 Software also fails to demonstrate facts sufficient to support specific jurisdiction over either Gaylord or Jeff Moseley. "[T]he 'effects' test requires that the plaintiff allege that the defendant has (1) committed an intentional act, (2) expressly aimed at the forum state, (3) causing harm that the defendant knows is likely to be suffered in the forum state." *Dole Food Co. v. Watts*, 303 F.3d 1104, 1111 (9th Cir.2002). The mere fact that M2 Communications owns Viacom stock is not an "act" that is aimed at California. Jeff Moseley, a corporate officer and the founder of M2 Communications, is protected by the fiduciary shield doctrine, under which "a person's mere association with a corporation that causes injury in the forum state is not sufficient in itself to permit that forum to assert jurisdiction over the person." *Davis v. Metro Prods.*, Inc., 885 F.2d 515, 520 (9th Cir.1989).

III

**3* We deny M2 Software's request for attorneys' fees.

AFFIRMED.

Toula Arvanitis-Dalpe, Law Office of Toula Arvanitis-Dalpe, Anaheim Hills, CA, Denise M. DeMory, Esq., DeMory & Grigg P.C., San Francisco, CA, for Plaintiff-Appellant.

David K. Caplan, Keats McFarland & Wilson LLP, Beverly Hills, CA, Mark Hayes Wildasin, Waller Lansden Dortch & Davis, LLP, Nashville, TN, for Defendants-Appellees.

APPENDIX C

UNITED STATES DISTRICT COURT
Central District of California

CV-00-2853 LGB (AIJx)

Entered Jan. 8, 2002

M2 SOFTWARE INC.,
a Delaware corporation, Plaintiff,

v.

MADACY ENTERTAINMENT, a corporation, Handleman Company, a corporation, SFX Entertainment, a corporation, Defendants.

Order Granting Summary Judgment In Part, Denying In Part

I. INTRODUCTION

This dispute centers on the defendants' use of the term "M2" in identifying the source of audio compact discs ("CDs") created or marketed by the defendants. Plaintiff M2 Software, Inc. ("M2 Software") holds a federally registered trademark in "M2".

Plaintiff asserts a variety of claims against the defendants stemming from the use of the term "M2" in support of a CD product line. The defendants bring the present summary judgment motion challenging all the claims based on plaintiff's asserted failure to establish a "likelihood of confusion." *2

II. FACTUAL BACKGROUND

The following are undisputed facts, reflecting the Court's conclusions on evidentiary objections, unless otherwise noted:

M2 Software was issued a federally-registered trademark, "M2" on October 12, 1995. Statement of Uncontroverted Facts ("SUF") ¶ 1. The trademark registration is for:

> computer software featuring business management applications for the film and music industries; and interactive multimedia applications for entertainment, education and information, in the nature of artists' performances and biographical information from the film and music industries; and instructions and information playing musical instruments.

SUF ¶ 2.

In 1991, M2 Software began marketing a product called the Record Label Management System ("RLMS"). SUF ¶ 4. RLMS is a software system licensed by record companies to manage royalties and other company information. SUF ¶ 5. RLMS is Oracle-based and is licensed to record companies with initial fees ranging from $16,500 to $123,000. SUF ¶¶ 6,7. M2 Software only sells the RLMS to record companies, and not to the public at-large. SUF ¶ 8. M2 Software has advertised in support of RLMS, including an ad found in the 1994 Billboard International Buyer's Guide. SUF ¶ 9. Primarily, M2 Software markets its RLMS system to the music industry through "word of mouth," but also markets RLMS through *3 industry advertisements and appearances at trade shows and music conferences, such as the MIDEM conference. SUF ¶ 10. Between 1991 and 1997, M2 Software licensed RLMS

to thirteen different companies, including BMG Entertainment and Warner Brothers. Def. Ex. 26 at 268.

M2 Software then played a part in creating an interactive CD-ROM entitled "Hijacked Video CD-ROM." SUF ¶ 11. "Hijacked" features a musical group named Marden Hill. SUF ¶ 12. Marden Hill can be classified as an "acid-jazz" group. *Id.* The CD-ROM contains at least two identifications, one for "M2 Interactive" and one for "Stepping Stone Recordings." SUF ¶ 13. The back of the CD does contain information relating to "M2" as a registered trademark and in reference to the copyright. Pl. Ex. F at 224-25.

M2 Software distributed 300 copies of this CD to individual record stores, 30 copies were distributed to Stepping Stone Recordings, 20 copies were distributed to others in the music industry and a further 30 were distributed in a bundled package with another CD to purchases through the website amazon.com. SUF ¶¶ 15, 24. In total, 380 copies were distributed, although none were sold directly to the public. SUF ¶ 16; Ex. 25 at 229. Despite this lack of any direct sales, M2 Software credits "Hijacked" for raising $15,000 in barter due to M2 Software's use of Stepping Stone Recordings office space. Ex. 29 at 322. In direct support of this project, M2 Software spent $3,000 distributing the 300 CDs to stores, $2500 to run an ad in Spin magazine, and $1000 distributing the CDs to others in the music **4* industry. *Id.* at 322-23.

In 1997, M2 Software released an album, by an artist named Buckethead, into commerce. SUF ¶ 18. This album, named "Killer Grabbag of Shards," was distributed to the artist and to individuals in the music industry, as well as sold on amazon.com. ¶¶ 22-24. 150 copies were given to Buckethead, 30 copies were distributed to music industry

individuals, and 120 copies were sold through amazon.com. *Id.* The sales of this album raised $2500. Ex. 29 at 331. The pricing for the album on amazon.com included, however, a built-in margin for products that M2 Software bundled with the "Killer Grabbag of Shards." Ex. 25 at 214-15. This included the 30 copies of "Hijacked," mentioned above but not advertised on the amazon.com website, and a single, "Left Alone" recorded by the Batcycle Poetry Club. Id. This single was, for a time, advertised with Buckethead on the amazon.com website. Id. at 215. Additionally, consumers could, until either 1999 or 2000, order the single separately from amazon.com. Id. at 214. "Killer Grabbag of Shards," much like "Hijacked" before it, was marked with "M2 Interactive" and "Buckethead," as well as information on the "M2" trademark. SUP ¶ 20.

M2 Software's direct advertisement for this CD consisted of a March 1998 ad run in the magazine Guitar Player. SUF ¶ 25. This ad cost M2 Software $3,000. Id. Information on the CD could also be found on amazon.com and on Buckethead's website. Id. *5

M2 Software also released a multimedia interactive product, referred to as "BPC Interactive," which included music created by the president of M2 Software, Dave Escamilla, under the name Batcycle Poetry Club. Id. ¶ 26. Between 1991 and 1995, M2 Software distributed approximately 1.65 copies of "BPC Interactive," including 100 distributed to members of the music industry, 25 copies at music events and conferences and 40 copies through "shareware." Id. ¶ 27. Additionally, beginning in 1999, M2 Software distributed 35 copies of Batcycle Poetry Club's single, "Left Alone," through amazon.com. Id. ¶¶ 29, 31. The single was sold in a bundle with the Buckethead CD, although it could also be purchased separately. Ex. 29 at 339.

M2 Software believes it made $250.00 in sales of BPC products, and that it spent $3000 in direct costs. Id. at 341.

None of these musical projects have ever been sold in stores other than those found on the internet. SUF ¶ 33. M2 has, however, established its own internet presence with a series of websites, "M2Music.com" and related sites, including "M2rock.com" and "m2techno.com." Id. ¶ 35. The M2Music.com site contains at least one music clip for an "acid-jazz" band, Count Basic. Id. ¶ 36.

The primary audience for RLMS consists of music industry professionals. SUF ¶ 38. Additionally, of the 880 copies of M2 Software's musical works, 120 transactions, covering 185 copies of the works, involved sales to consumers at large. Approximately, 475 copies were distributed to people in the music ***6** industry, whether retailers or in the recording business. A further 220 copies were distributed to other people, but were not directly sold by M2 Software.

Although the parties dispute the exact ownership structure of defendant Madacy Entertainment ("Madacy") and its relationship to defendant Handleman Company ("Handleman"), the basic outlines of the events giving rise to this action are undisputed. Madacy is a recording and distribution company that specializes in low price collections of recorded music. Alter Decl. ¶¶ 2, 4. Madacy licenses much of this music from other companies, such as BMG Music. See Lodged Exhibits.

In late 1999, Madacy Entertainment began the groundwork to create a new division, M2, to sell "frontline" or "full-priced" CDs. SUF ¶ 42. The centerpiece of this plan was a venture entered into in October 1999 between Madacy and defendant SFX Entertainment, including SFX

Entertainment's Alphabet City division. Id. ¶ 51. Under the arrangement, the parties would distribute a line of sports-themed CDs, tied to local sports teams, such as the LA Lakers, Minnesota Timberwolves, and Portland Trailblazers. Id. ¶ 52.

During August, 1999, Madacy filed an intent to use application for a mark, "M2 Entertainment" with the United States Patent and Trademark Office. SUF ¶ 45. This mark was for use in connection with "sound recordings featuring music, namely phonographic records, audio tapes, and compact discs featuring music; and entertainment services, namely the marketing, *7 production and distribution of phonographic records, audio tapes, and compact discs." Id. In setting up this new division, Madacy conducted a trademark search and discovered the "M2" mark owned by M2 Software, as well as other trademarks. Id. ¶ 46. The advice of counsel was this:

> It is a crowded playing field indeed. I believe that there is at least a small slice that we should be able to carve out for ourselves. However, as I mentioned, if you were earlier in the process, I would recommend that you go in a direction other than "M2."

Hernandez Decl., Exh. L.

The sports CDs went to market in December 1999, and were followed up with marketing that included a feature promoting the new line and "M2 Entertainment" in the February 2000 issue of Billboard Magazine. SUF ¶¶ 54, 55. Between December 1999 and May 2000, at least 39,888 copies of the various sports-themed CDs were sold. Id. ¶ 59. Some of these copies were sold to Madacy's parent company, Handleman. Id. Handleman resold 1,739 copies of the sports music CDs bearing the "M2 Entertainment" imprint to

its mass merchant business customers. Id. ¶ 60. Some unspecified number (but "many") were ultimately returned to Madacy or Handleman. Id. ¶ 61.

On December 30, 1999, M2 Software demanded that the defendants stop using the "M2" mark. SUF ¶ 62. Although there is a dispute about the exact timing, the defendants voluntarily ***8*** stopped using the "M2 Entertainment" name, and no product has been reportedly sold to consumers since, at the latest, April, 2001. Id. ¶ 62; Statement of Genuine Issues ("SGI.") ¶¶ 62, 63. M2 Software filed this action on March 21, 2000.

III. PROCEDURAL BACKGROUND

M2 Software filed its complaint with this Court on March 21, 2000. On May 25, 2001, M2 Software filed the present complaint, the first amended complaint ("1AC"). This complaint alleges the defendants committed several wrongs, including:

1) trademark infringement in violation of 15 U.S.C. § 1114, et seq.
2) false designation and/or description of origin in violation of the Lanham Trademark Act of 1946 (15 U.S.C. § 1125(a);
3) dilution in violation of 15 U.S.C. § 1125(c);
4) common law trademark infringement;
5) state trademark dilution and injury to business reputation under California Business & Professions Code § 14330;
6) common law passing off and unfair competition
7) unfair trade practices in violation of California Business & Professions Code § 17200.

The defendants now bring a summary judgment motion challenging each of these claims. Defendants target the element ***9** requiring a "likelihood of confusion" that is common to all. Neither party contests that the Court's decision on this issue will be dispositive of this motion as it relates to all the claims.

IV. SUMMARY JUDGMENT STANDARD

Rule 56 of the Federal Rules of Civil Procedure provides that a court shall grant a motion for summary judgment if "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(c). Material facts are those that may affect the outcome of the case. See Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248 (1986). A dispute as to a material fact is genuine if there is sufficient evidence for a reasonable jury to return a verdict for the nonmoving party. See id.

The party moving for summary judgment bears the initial burden of informing the district court of the basis of the summary judgment motion, and of demonstrating the absence of a genuine issue of material fact for trial. See Celotex Corp. v. Catrett, 477 U.S. 317, 323 (1986); Katz v. Children' Hosp of Orange County, 28 F 3d 1520, 1534 (9th Cir. 1994). On an issue for which the nonmoving party has the burden of proof at trial, the moving party need only point out "that there is an absence of evidence to support the nonmoving party's case." Celotex, 477 U.S. at 325. ***10**

Once this initial burden is satisfied, the non-moving party is required to "go beyond the pleadings and by her own affidavits, or by the depositions, answers to interrogatories,

and admissions on file, designate 'specific facts' showing that there is a genuine issue for trial." Celotex, 477 U.S. at 324 (internal quotations omitted). See also Nilsson, Robbins, Dalgarn, Berliner, Carson & Wurst v. Louisiana Hydrolec, 854 F. 2d 1538, 1544 (9th Cir. 1988). Where the standard of proof at trial is preponderance of the evidence, the non-moving party's evidence must be such that a "fair-minded jury could return a verdict for the [non-moving party] on the evidence presented." Anderson, 477 U.S. at 252.

V. ANALYSIS

Trademark protection is meant to foster competition and enhance quality by protecting the reputation of businesses. See Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 773 (1992). Defendants' central contention is that M2 Software's claims all fail as a matter of law because there is insufficient evidence to establish a "likelihood of confusion" for the ordinary consumer. Without this likelihood, the central purpose of trademark law is not implicated and there can be no violation of the trademark laws. See, e.g., Brookfield Communications, Inc. v. West Coast Entm't Corp., 174 F.3d 1036, 1053 (9th Cir. 1999). The Court will evaluate the defendants' contention as it relates to M2 Software's two theories of trademark infringement: "forward confusion" and "reverse confusion." ***11**

A. Forward Confusion

In the prototypical case, the holder of a trademark ("the senior user") finds that a competitor ("the junior user") has identified its goods or services in a manner that is likely to confuse consumers, and to allow the junior user to gain market share by, in essence, free-riding on the efforts of the senior user. [FN1] See Brookfield, 174 F.2d at 1053-55. This

"forward confusion" can extend beyond a manufacturer's current product line when a junior user uses a trademark in a related field.[FN2] See id. at 1050-51.

In evaluating the likelihood of confusion with forward confusion cases, the Ninth Circuit has adopted an eight-factor test. See, e.g., AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir. 1979). This test is not to be rigidly applied and the factors are not exclusive. See Brookfield, 1.74 F.3d at 1054. Under this test, the likelihood of confusion is generally a question for the trier of fact, but there are occasions where summary judgment is appropriate. See Murray v. Cable Nat'l Broadcasting Co., 86 F.3d 858, 861 (9th Cir. 1996); Levi Strauss & Co. v. Blue Bell Inc., 778 F.2d 1352, 1.355-56 (9th Cir. 1985).

FN1: One example from the case law involved the use of the Ralph Lauren "Polo" symbol on goods manufactured by another company. See Polo Fashions, Inc. v. Craftex, Inc., 816 F.2d 145, 2 U.S.P.Q. 2d 1444 (4th Cir. 1987).

FN2: A historically important and clear example of this involved a defendant engaged in making pancake batter that adopted the name of a famous pancake syrup line. See Aunt J Jemima Mills Co. v. Rigney & Co., 247 F. 407, 408 (2d Cir. 1917).

***12** The factors identified in the Sleekcraft decision are:
1) strength of the plaintiff's mark;
2) relatedness of the goods;
3) similarity of the marks;
4) evidence of actual confusion;
5) marketing channels used;
6) type of goods and the degree of care exercised by the

purchaser;
7) defendant's intent in selecting the mark; and
8) likelihood of expansion of the product lines

See AMF v. Sleekcraft Boats, 599 F.2d at 348. The Court will discuss these factors as they relate to both M2 Software's RLMS and its other music-related products. It is undisputed that M2 Software distributes a line of products that includes audio CDs and a website that includes audio content. The question is: do these products or the RLMS product line suffice to create a material issue of genuine fact on the likelihood of confusion issue? Rather than applying these factors separately, the Court will discuss them in the context of the facts that are marshaled by each side.

1. M2 Software's Argument

M2 Software concedes that its sales of CD products has been "less than brisk" and it sells a significantly larger number of CDs than it has RLMS accounts. Opp'n at 7; Def. Ex. 26 at 268. M2 Software maintains, however, that its mark is "arbitrary and ***13** fanciful" and that it has invested over $2.7 million dollars into marketing and promoting its mark. Opp'n at 4. This, M2 Software argues, entitles it to broad trademark protection. Id. at 4, 7. Additionally, the M2Music website has been accessed by over 133,000 "hits" or visitors. Although M2 Software cannot identify how many different individuals this represents, as opposed to repeat visitors, it argues that this also indicates sufficient recognition and advertising to merit trademark protection. Id. at 4-5.

M2 Software also points to the fact that all the parties involved sell musical CDs, arguing that these goods are not just related, they are the same. Opp'n at 8-9. Moreover, both sets of goods are sold through the internet, particularly the

retailer amazon.com. Id. at 15. As to the marks themselves, M2 Software stresses the absolute identity of "M2° in terms of sound, the identity in sight when placed in text, as well as the similarity in the way the mark is used, and argues that the term "Entertainment," used by defendants, should be discounted as it is merely descriptive and on occasion "M2 Entertainment" has been shortened in public documents to "M2." Id. at 11-14.

This possibility of confusion is confirmed, plaintiff argues, by a survey it had conducted. Opp'n at 14-15. The results of the survey are supported, M2 Software implies, by the evidence of intent, as defendants opted to enter this field with actual knowledge of M2's mark. Id. at 17-18. Finally, plaintiff suggests that it has broadened its musical offerings by adding selections ***14** from David Crosby and Count Basic on its website. Id. at 5. This likelihood of expansion, combined with overlap with "M2 Entertainment"'s plans to market a compilation disc from avant garde artist Peter Max further supports its position that there is a likelihood of confusion, it argues. Id. at 10, 19-21.

2. The Defendants' Counter-argument

The defendants argument in support of their summary judgment motion stresses a variety of undisputed facts. First, they direct the Court to the almost complete lack of sales by M2 Software. Def. Mot at 9-10. On average M2 Software has failed to sell even 40 CDs a year, and M2 Software concedes that it has far fewer users of its RLMS software. This lack of market awareness, defendants argue, is a natural result of M2 Software's small investment in direct advertising for its CD products, totaling $14,500. Id. at 10. M2 Software has only run two ads in periodicals in direct support of the CDs, and another two ads that might lend general support to the M2 brand in the eyes of the public at large. Id. This

undisputed investment in advertising is too anemic, they argue, in conjunction with the negligible sales totals to support a trier of fact finding a likelihood of confusion. Id. at 11.

The defendants also argue that the two marks are not sufficiently similar because the "M2" in "M2 Entertainment" is highly stylized and conjoined with the "Entertainment," as well as M2 Software's use of an oval around the "M2" that is absent from "M2 Entertainment." Id. at 16. They also argue that M2 ***15** Software's use of the word "interactive" on its CDs and the general appearance of the marks in context creates sufficient differentiation to prevent a likelihood of confusion. Id.

Defendants also maintain that the complete lack of retail sales by M2 Software prevents a trier of fact from finding the companies use similar marketing channels. Def. Mot. at 18. Further, they posit that music buyers search out albums by title and artist, not manufacturer, thus ameliorating any likelihood of confusion issues, even as to internet sales. Id. at 20. This is reinforced by the differences defendants stress between the genres of music produced by M2 Software and those produced by defendants. Id. at 21. They argue that this also defeats a finding that the goods are related, under the Sleekcraft factors. Id. at 11-15. As to M2 Software's recording industry consumers, defendants stress that these consumers are more discerning than the general public and thus even less likely to be confused. Id. at 18, 21.

The survey is inadmissible to show the likelihood of confusion, defendants argue, because it fails to meet the requirements of Federal Rules of Evidence 702 ("F.R.E. 702"). Def. Mot. at 18. Further, there was no intent to profit off M2's mark. Rather, they argue, M2 proceeded in the face of M2's trademark because it believed that there would be no

infringement. Id. at 21-22. Finally, there is no likelihood of expansion, they argue, because the defendants have stopped using the "M2 Entertainment" mark and thus, they imply, hypothetical ***16** future infringement need not be considered. Id. at 22-23.

3. Why no reasonable trier of fact can find for M2 Software on the issue of forward confusion

At bottom, the Court rests its conclusion that no reasonable trier of fact could conclude that there is any likelihood of confusion on M2 Software's failure to establish a likelihood of market recognition by any substantial number of consumers or a potential for confusion among recording industry personnel. Rather, the undisputed facts drown out any potential inferences on this score.

As to the general consuming public, plaintiff's "less than brisk sales" are actually "so flabby as to compel a finding of no likelihood of confusion in light of the other [Sleekcraft factors]." [FN3] Brookfield, 174 F.3d at 1058-59. Total sales of $17,750, including only $2750 in cash sales, on the sale of, at most, 215 CDs is simply insufficient to warrant a finding that confusion is likely, particularly with the sales taking place over a span of years. [FN4] Compare id. (holding lower court finding ***17** that mark is weak is not clearly erroneous where no evidence of market recognition on $100,000 in advertising) with Sunenblick v. Harrell, 895 F. Supp. 616, 625-26 (S.D.N.Y. 1995) (after bench trial, no likelihood of forward confusion where plaintiff had gross revenue over $400,000 over period of years from music sales). Nor does M2 Software's claim to have spent $2,750,000 on advertising and protecting its marks alter this analysis. Of that amount, the undisputed facts establish that less than $15,000 was spent directly marketing CD products, and only two other ads were published in a way that might

reach the general public. The remaining amounts were directed at lawsuits or used for trade shows and the like.[FN5] The bulk of these expenditures thus are not probative of M2 Software's advertising effect upon the general public.

FN3: The Court restricts its analysis of general consumer confusion to the CDs because there is no evidence that other services have been marketed to the general public.

FN4: At argument, Plaintiff focused on the reasons its trademark deserves broad protection (e.g., arbitrariness). Plaintiff never addressed the impact its almost complete absence of CD sales should have in determining the question of infringement. The central inquiry under Sleekcraft remains the likelihood of confusion. Although an arbitrary mark is deserving of broad protection, Plaintiff must still establish a likelihood of confusion by some appreciable number of ordinarily prudent consumers. See Bioglan Inc. v Bioglan Labs. Ltd., 44 U.S.P.Q. 2d 1662, 1669 (C.D. Cal. 1997 (citing McGregor-Doniger, Inc. v. Drizzle Inc., 599 F.2d 1126, 1130 (2d Cir. 1979). Here, the fight is over the question whether any significant number of consumers is familiar enough with M2 Software's products or name to become confused in any significant sense. Cf. Bioglan, 44 U.S.P.Q.2d at 1667, 1669 (considering volume of products sold); cf. also Brookfield, 174 F.3d at 1058 ("arbitrary or fanciful marks . . . are typically strong" (emphasis added)).

FN5: Plaintiff argues that the lawsuits should strengthen its mark, relying on Morningside

> Group Ltd v. Morningside Capital Group, L.L.C., 185 F.3d 133, 139 (2d Cir. 1999). In Morningside, however, the court stated "the successful policing of a mark adds to its strength to the extent that it prevents weakening of the mark's distinctiveness in the relevant market." Id. (emphasis added). The suits do not, however, establish distinctiveness in the market, much less consumer recognition of that distinctiveness, although they dispose of the defendants' "crowded field" argument, for purposes of this motion.

Although the Court accepts that the evidence of computer ***18** "hits" tends to establish some level of unspecified consumer exposure to M2 Software's "brand," the failure to provide any evidence of sales attributable to the website prevents the inference that this site has created recognition of the mark or the qualities of M2 Software's product lines among the general public. The failure of M2 Software to get its product into retail stores further prevents any likelihood of confusion by traditional consumers.

As for internet consumers, M2 Software has presented no evidence that consumers are likely to search for albums based on the M2 Software's manufacture rather than the artist, album title, or genre. Because it is undisputed that the defendants have stopped marketing products with the "M2 Entertainment" logo, the relevant question for a trier of fact is whether the products that were actually produced are likely to create confusion. Here, the artists, titles, and genres of the albums brought before the Court are such that no reasonable trier of fact could conclude that there is a likelihood of confusion.[FN6] Although it might be a closer question if the proposed Peter Max CD was actually produced, this factor would still weigh heavily against M2

Software. Without any evidence of effective branding, M2 Software ***19** has failed to meet its burden to bring forward evidence from which a trier of fact could infer that consumers are likely to search for M2-produced albums because they are produced by M2, cf. Q Division Records, 2000 WL 294875 at *5 n 13 (discussing branding of labels), even after the exacerbating influence of the internet is factored into the equation. Compare Brookfield, 174 F.3d at 1057 (competing internet websites increased likelihood of confusion) with Interstellar Starship Svcs. v. EPIX Inc., 125 F. Supp. 2d 1269, 1277 (D. Or. 2001) (little or no overlap in marketing channels despite mutual web presences).

> FN6: See Sunenblick, 895 F. Supp. at 629 (court trial); Tsiolis v. Interscope Records, Inc., 946 F. Supp. 1344, 1.356 (N.D. Ill. 1996); Q Division Records, LLC v. Q Records, 2000 WL 294875 *1, *5 (D. Mass. 2000); Harlem Wizards Entm't Basketball Inc. v. NBA Properties, Inc., 952 F.Supp. 1084, 1087, 1099 (D. New Jersey 1997) (no likelihood of confusion between two basketball teams, bench trial, no credibility issues).

The undisputed facts show that Dave Escamilla failed to establish that the survey was created or conducted in a manner that complied with the appropriate standards for creating a survey. See Click Billiards, Inc. v..Sixshooters, Inc., 251 F.3d 1252, 1263 (9th Cir. 2001) (threshold questions on admissibility of survey for judge). As this evidence is inadmissible, M2 Software has brought forward no evidence indicating actual confusion or the likelihood of confusion among the general public. Finally, although the undisputed evidence establishes that defendants may have exercised questionable judgment in proceeding with the "M2

Entertainment" mark in the face of the "M2" mark, M2 Software has brought forward no evidence that would justify a trier of fact in concluding that defendants, with 20 years of experience in the music industry and the ability to produce almost 40,000 CDs in less time than M2 Software could sell 200 CDs, had any intention of capitalizing on M2 Software's ***20*** trademark. See Tsiolis v. Interscope Records, Inc., 946 F. Supp. at 1354 (coming to similar conclusion).

The Court therefore concludes that M2 Software has failed to meet its burden of establishing a genuine issue of material fact sufficient to support a finding that there is a likelihood of confusion among the general consuming public. Cf. Sunenblick, 895 F. Supp. at 635 (concluding no likelihood of confusion between record labels where senior user had over $400,000 in gross revenues and sales around 5000 units per year).

As to the recording industry, it is undisputed that both defendants and M2 Software deal with the industry-M2 Software sells to companies such as Warner Brother and BMG Music royalty software, defendants license music from these entities. It is also undisputed that defendants actually sell albums through retail outlets like Tower Records, and plaintiff has attempted to do so. The question is: would anyone in these consumer classes be likely to confuse the defendants, junior use with M2 Software's senior use? See Tsiolis, 946 F. Supp. at 1353. The Court concludes that the undisputed evidence is insufficient to justify a reasonable trier of fact in inferring such likelihood.

M2 Software has simply brought forward no evidence or explanation why it believes the marks would be confused other than the similarity of the goods and of the marks. M2 Software has not brought forward any evidence that would establish this class of consumers as anything but discerning.

See Q Division Records, 2000 WL 294875 at *5 (distributors & retailers presumed ***21** to be "quite sophisticated" and "highly aware of subtle distinctions"). In fact, the undisputed evidence establishes that this class of consumers is able to do business with M2 Software using its RLMS software, not accept M2 Software's advances on the licensing and retail side, and then do business with defendants on the licensing and retail side. Given the evidence of widespread recognition in the recording industry of "M2 Entertainment"'s parent, Madacy Entertainment, the failure to bring forward evidence or argument that might suggest this group of consumers is less discerning dooms the case.

As already discussed, assuming the strength of M2 Software's mark in the royalty software field, M2 Software has failed to bring forward evidence establishing that recognition of its trademark is likely to spill over into the musical CD field. Cf. M2 Software, Inc. v. Viacom, Inc., 119 F. Supp. 2d 1061, 1058 (C.D. Cal. 2000) (finding "undisputed" that RLMS and music video service unrelated despite "interaction" with music industry). The Court accepts that there is some theoretical relationship between the two fields, but M2 Software has not brought forward evidence sufficient to justify the inference that there is an actual marketing relationship, one that might be reflected in sales, business opportunities, or recognition. Cf. Sunenblick, 895 F. Supp. at 531 (discounting evidence of confusion where no purchasing decisions). Nor has M2 Software articulated why this class of consumers would not be attuned to the very significant, ***22** if not dispositive, differences between the two marks.[FN7] Cf. Ziebart Int'l Corp. v After Market Assoc. Inc., 802 F.2d 220, 227 ("prominent display of different names on the marks has been held to reduce the likelihood of confusion even where . . the marks are otherwise similar."); Q Division Records, 2000 WL 294875 at *3 (existence of word "Division" enough to render

"Q Division Records" mark dissimilar to "Q Records"). Given the Court's conclusion that no reasonable jury could find for plaintiff on the possibility of confusion among the general public, the court concludes that these evidentiary failures provide even less support for any trier of fact's attempt to conclude that there is a likelihood of confusion among record industry personnel.

The Court acknowledges that the conclusion on the issue of confusion among the general public may, at first glance, appear to run contrary to the Ninth Circuit's decision in Brookfield. Upon closer reflection, however, the Court believes that this decision is consistent with Brookfield.

In Brookfield, the plaintiff produced a system that allowed customers to search through a database covering a variety of entertainment-related information. 174 F.3d at 1041. The product was a registered trademark, Movie Buff. Id. at 1042. The defendant had placed a similar product online at the web address ***23*** moviebuff.com, derived from its registered trademark, "The Movie Buff's Movie Store." Id. The Ninth Circuit's decision in the case reversed a district court's denial of a preliminary injunction for the plaintiff. Id. at 1061.

> FN7: Although the "M2" and "M2 Entertainment's marks share similar sounds and the joint "M2' element, their appearances are different, particularly in the context of the exhibits lodged with the Court.

In reversing, the Brookfield court concluded that "MovieBuff" and "moviebuff.com" were similar and that their products, although not exactly alike, were sufficiently related to weigh heavily in favor of a likelihood of confusion. Id. at 1055-56. In particular, the relationship was clear

because the "moviebuff.com" website made use of a database created by one of Brookfield's competitors. Id. at 1056. The Court found that their audience overlapped, as well as their web presences. Id. The Court stressed these factors in its tentative conclusion that the plaintiff had made a strong showing on the confusion issue. Id. at 1058.

Of particular importance to this Court is the Brookfield court's discussion on the strength of the mark at issue. In support of the mark, the plaintiff had brought forward evidence of the mark's conceptual distinctiveness and advertising revenues expended over the last five years, but no substantial evidence of actual marketplace recognition. Id. at 1058. The Ninth Circuit agreed that this mark was weak, but not so weak that it would overwhelm the other factors considered. Id.

It is this last observation that grounds the Court's decision. Here, unlike Brookfield, evidence of marketplace recognition has been brought forward, and it is sufficient to **24* defeat the inference of recognition that the Brookfield court found in advertising expenditures. Moreover, M2 Software has expended less than Brookfield in direct support of its product. See id. at 1058. Further, the first three factors considered by the Brookfield court do not significantly favor M2 Software in this case.

Although CDs are related as a general matter, M2 Software has brought forward no case where discrete products, such as the CDs that were actually produced in this case, were found to be related. Compare Brookfield, 174 F.3d at 1055-56 with Mattel Inc. v. MCA Records, Inc., 28 F. Supp. 2d 1120, 1147 (C.D. Cal. 1996) (CD-Rom for Barbie products unrelated to CD-Rom for song, Barbie Girl). All of the case law found by the Court relating to musical goods

actually cuts the other way. See, e.g., Sunenblick, 895 F. Supp. at 628. Although the Court is mindful that it does not sit as a trier of fact, this uniform trend, even where credibility was not an issue, reinforce its finding that this factor, if it can support plaintiff's case at all, does so very slightly. See. e.g., Sunenblick, 895 F. Supp. at 635 (no likelihood, no apparent discounting of testimony); see also Harlem Wizards, 952 F. Supp. at 1087 (finding no likelihood of confusion between Harlem Wizards and Washington Wizards, on uncontroverted facts, despite overlap in names and industry).

Additionally, the marks here are not identical in the way "MovieBuff" and "moviebuff.com" were. Compare Brookfield , 174 F.3d at 1055 with Q Division Records, 2000 WL 294875 at *3 ***25** (concluding record label marks not similar). As the Ninth Circuit noted, in the context of the web, the addition of ".com" was insignificant. See Brookfield, 174 F.3d at 1055. Here, the addition of "Entertainment" by defendants, while entitled to be discounted, is still a factor to be considered. See Dreamwerks Prod. Group, Inc. v. SKG Studio, 142 F.3d 1127, 1131 (9th Cir. 1998). The contrast is heightened by M2 Software's use of the mark "interactive" on its CDs and the appearance of other marks on the various albums. These undisputed facts leave this factor weighing in M2's favor, if at all, only because of the marks fanciful nature.

Finally, unlike Brookfield, where the overlap in marketing channels involve separate websites devoted to the trademarked goods and services, here the only overlap is that goods from both ventures can be found on amazon.com. 174 F.3d at 1057. In fact, a large variety of goods and services can be found on amazon.com, crossing a wide variety of genres, goods, and the like. This slight overlap in where the goods can be purchased, without significant overlap in

advertising markets, or any indication that the "M2" brand is likely to be searched out leaves this factor weighing, at best, only very slightly in plaintiff's favor.

On these facts, the Court concludes that its conclusion is consistent with Brookfield and that this is the kind of case recognized by the Brookfield court where a mark is "*so flabby as* to compel a finding of no likelihood of confusion." 174 F.3d ***26** at 1058 (emphasis added).

Because M2 Software has failed to bring forward sufficient evidence to establish a genuine issue of material fact with regard to the likelihood of confusion, the Court GRANTS defendants' motion for summary judgment, to the extent it challenges plaintiff's claims based on "forward confusion."

B. Reverse Confusion

In addition to protecting a senior user from having a junior user take advantage of the senior user's business reputation, courts have also protected senior users from losing their mark as a result of saturation by a bigger, more powerful junior user's entry into the field. See Tsiolis, 946 F. Supp. at 1353; see also Dreamwerks, 174 F.3d at 1130. This form of infringement is referred to as "reverse confusion."

In evaluating a claim of "reverse confusion," the Court applies the Sleekcraft factors, but with two significant differences. See Dreamwerks, 174 F.3d at 7.129. First, the factors surrounding arbitrariness of the mark, similarity of sight, sound, and meaning, and relatedness of the goods are generally pivotal. See, e.g., id. at 1130. Second, the focus shifts to the strength of the junior users mark. See Id., at 1130 n.5. In essence, a court must focus on the plaintiff's

consumers and ask whether they are likely to associate its products with the junior user. See id. at 1131.

Here, the arbitrariness of the mark, the similarity of sight, sound and meaning, and the relatedness of the M2 **27* Software's goods, whether the software or the CDs, all are capable of supporting favorable inferences. See supra (recognizing mark as arbitrary, some similarity, and some relation between goods); see also Dreamwerks, 174 F.3d at 1130-31. The main issue then is the strength of the defendants "M2 Entertainment" mark. See Dreamwerks, 174 F.3d at 1131-32 (discussing danger of Dreamwerks Studios drowning out plaintiff's mark). Defendants are in the unusual position of arguing that their mark, "M2 Entertainment" was too weak to create a likelihood of confusion. See id. at 1130 n.4 (making same argument).

Plaintiff's argument focuses on "whether consumers are likely to associate the respective goods, services, or businesses of the parties by assuming the prior user has expanded into the other market." Opp'n at 20. M2 Software maintains that the only relevant time-frame is at the moment of entering the market and that the defendants' "advertising blitz" created the impression that M2 Software was expanding again. Id. Defendants respond that the Court must also factor in the future likelihood of expansion. Def. Mot. at 22-23. Both parties are partially correct. See Opp'n at 19 (citing 2 McCarthy on Trademarks § 16.5); Def. Mot. at 22 (citing M2 Software v. Viacom, 119 F. Supp. 2d at 1070).

As an initial matter, a trier of fact needs to be directed to the market as it existed at the moment the junior user entered it. At the same time, subsequent events do play a role in evaluating the extent to which a parties conduct is likely to **28* infringe on a trademark. M2 Software's

position is based on its fear that a possible infringer will "infringe until caught . . . [and then] walk away with impunity." Opp'n at 21. This fear is overstated. If a junior user is creating actual confusion or is likely to confuse, then its withdrawal from the market will not ameliorate the prior infringement that has already occurred. On the other hand, if a potential infringer walks away from a disputed trademark before a trier of fact could find any likelihood of confusion or harm to the mark, the potential infringer walks away with impunity because it has caused no harm.

Here, the Court finds that there is sufficient evidence to create a genuine issue of material fact on the issue of reverse confusion as to the consuming public. See Dreamwerks, 174 F.3d at 1129, 1132. Evidence has been brought forward that could suggest that consumers would be more likely to associate the defendants' products with the "M2 Entertainment" mark than M2 Software's based on exposure alone. M2 Software has failed to bring forward evidence that it engaged in any active advertising during the period at issue. Nevertheless, its active web site and the web site's 133,000 hits mean that certain members of the public were exposed to M2 Software's name during the time period. [FN8] Because of ***29** the defendants' distribution efforts, limited as they might be, combined with its advertising program, such as the ads in Billboard Magazine, the Court cannot say as a matter of law, although it poses a very close question, that these potential consumers were not drawn to the site of a company, one with a history of serving less than 200 paying customers over a ten-year period, because of a possible affiliation with the new division of an industry force. Cf. Brookfield, 174 F.3d at 1057 (discussing possibility of initial interest confusion based on web-names). The Court therefore DENIES defendants' motion for summary judgment on the reverse confusion claims to the

extent these claims allege reverse confusion by the general public.

> FN8: Although the time period covered by these hits is a year later than the initial launch of M2 and over five months after Madacy stopped producing "M2 Entertainment" products, the declining number of visitors and the continued residual usage of the "M2 Entertainment" name prevent the Court from concluding this information is irrelevant to the trier of fact.

With regard to the recording industry, however, the Court finds that there is no evidence that would support a trier of fact in concluding members of the recording industry were confused or were likely to be confused between the "M2" of M2 Software and the "M2 Entertainment" utilized by the defendants. See M2 Software v. Viacom, 119 F. Supp. 2d at 1068, 1071 (coming to same conclusion). Whatever the potential merits of that claim if the two companies had continued on the paths that led to this litigation, there is no evidence supporting a likelihood of confusion during the period at issue here. The Court therefore GRANTS defendants' motion for summary adjudication on the reverse confusion claims to the extent these claims allege reverse confusion by consumers in the recording industry. ***30**

C. Impact of the Court's Rulings

Neither party briefed the possible impact on the various causes of action if the Court granted summary judgment on the issue of forward confusion but not as to reverse confusion. Accordingly, the Court does not address the issue.

VI. CONCLUSION

Because the Court concludes that no reasonable trier of fact can find a likelihood of confusion, Defendants' motion for summary adjudication is GRANTED as to the issue of forward confusion;

Because the Court concludes that no reasonable trier of fact can find a likelihood of confusion, Defendants' motion for summary adjudication is GRANTED as to the issue of reverse confusion, insofar as it alleges reverse confusion by consumers in the recording industry;

Because the Court concludes there are genuine issues of material fact, the Court DENIES defendants' motion for summary adjudication on the issue of reverse confusion, insofar as this reverse confusion refers to the general consuming public.

IT IS SO ORDERED.

Dated: January 3, 2002
s/ LOURDES G. BAIRD
United States District Judge

APPENDIX D

UNITED STATES DISTRICT COURT
Central District of California

CV-02-1588AHM(McX).

Entered Aug. 1, 2003

M2 SOFTWARE INC.,
a Delaware corporation, Plaintiff,

v.

M2 COMMUNICATIONS, L.L.C., a limited liability company; Jeff Moseley, an individual; Gaylord Entertainment Inc., a corporation, Defendants .

Order Granting Summary Judgment and Denying Plaintiff's Motion for Summary Adjudication

MATZ, District Judge.

I.
INTRODUCTION

This matter is before the Court on cross-motions for Summary Judgment and Summary Adjudication. Defendant M2 Communications, L.L.C. ("M2 Communications") moves for Summary Judgment, arguing that no reasonable jury could conclude that there is a likelihood of confusion between Defendant's Christian music products and the

music products and music business services of Plaintiff M2 Software, Inc. ("M2 Software"). On the other hand, Plaintiff moves for Summary Adjudication, arguing that no reasonable jury could *not* conclude that there is a likelihood of confusion. For the reasons provided below, Defendant's motion is GRANTED and Plaintiff's motion is DENIED. Based on the Court's rulings on the cross-motions, Defendant's motion for Summary Adjudication on the Issue of Damages is MOOT.[FN1]

> FN1. On July 29, 2003, the Court Clerk provided a draft of this Order to the parties via facsimile. The deadline to request a hearing was August 1, 2003 at 1:00 p.m. Neither party requested a hearing.

II.
SUMMARY JUDGMENT STANDARD

Federal Rule of Civil Procedure 56(c) provides for summary judgment when "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." The moving ***1168** party bears the initial burden of demonstrating the absence of a "genuine issue of material fact for trial." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 256, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986). A fact is material if it could affect the outcome of the suit under the governing substantive law. *Id.* at 248, 106 S.Ct. 2505. The burden then shifts to the nonmoving party to establish, beyond the pleadings, that there is a genuine issue for trial. *Celotex Corp. v. Catrett*, 477 U.S. 317, 324, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986).

"When the party moving for summary judgment would bear the burden of proof at trial, it must come forward with evidence which would entitle it to a directed verdict if the evidence went uncontroverted at trial. In such a case, the moving party has the initial burden of establishing the absence of a genuine issue of fact on each issue material to its case." *C.A.R. Transportation Brokerage Co., Inc. v. Darden Restaurants, Inc.*, 213 F.3d 474, 480 (9th Cir.2000) (citations omitted). In contrast, when the non-moving party bears the burden of proving the claim or defense, the moving party can meet its burden by pointing out the absence of evidence from the non-moving party. The moving party need not disprove the other party's case. *See Celotex*, 477 U.S. at 325, 106 S.Ct. 2548. Thus, "[s]ummary judgment for a defendant is appropriate when the plaintiff 'fails to make a showing sufficient to establish the existence of an element essential to [his] case, and on which [he] will bear the burden of proof at trial.' " *Cleveland v. Policy Management Sys. Corp.*, 526 U.S. 795, 805-06, 119 S.Ct. 1597, 143 L.Ed.2d 966 (1999) (*citing Celotex*, 477 U.S. at 322, 106 S.Ct. 2548).

When the moving party meets its burden, the "adverse party may not rest upon the mere allegations or denials of the adverse party's pleadings, but the adverse party's response, by affidavits or as otherwise provided in this rule, must set forth specific facts showing that there is a genuine issue for trial." Fed. R. Civ.P. 56(e). Summary judgment will be entered against the non-moving party if that party does not present such specific facts. *Id.* Only admissible evidence may be considered in deciding a motion for summary judgment. *Id.*; Beyene v. Coleman Sec. Serv., Inc., 854 F.2d 1179, 1181 (9th Cir.1988).

"[I]n ruling on a motion for summary judgment, the nonmoving party's evidence 'is to be believed, and all

justifiable inferences are to be drawn in [that party's] favor.' " *Hunt v. Cromartie*, 526 U.S. 541, 552, 119 S.Ct. 1545, 143 L.Ed.2d 731 (1999) (quoting *Anderson*, 477 U.S. at 255, 106 S.Ct. 2505). But the non-moving party must come forward with more than "the mere existence of a scintilla of evidence." *Anderson*, 477 U.S. at 252, 106 S.Ct. 2505. Thus, "[w]here the record taken as a whole could not lead a rational trier of fact to find for the nonmoving party, there is no genuine issue for trial." *Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 587, 106 S.Ct. 1348, 89 L.Ed.2d 538 (1986) (citation omitted).

III.
ANALYSIS

The facts of this case are well-known to the parties. Plaintiff's activities and products were discussed in the November 27, 2002 Order Denying Plaintiff's Motion for a Preliminary Injunction ("11/27/02 Order") and other orders issued by this Court in this case and the related cases of *M2 Software, Inc. v. Madacy Entertainment, et al.*, CV00-2853 AHM (Mcx) (" *Madacy* case") and *M2 Software, Inc. v. Viacom, Inc.*, CV98-8734 AHM (Mcx) (" *Viacom* case"), including Judge Baird's January 4, 2002 Summary Judgment Order in the *Madacy* case. Defendant's ***1169** products and activities have been discussed in the 11/27/02 Order and other orders entered in this case. Because it appears that on this motion little evidence has been presented by either party other than what was included in the Preliminary Injunction motion decided seven months ago,[FN2] the Court will not devote space in this order to a rehashing of the facts. Instead, the Court incorporates by reference the facts set forth in its previous orders.

FN2. Indeed, in both Plaintiff's Motion for Summary Adjudication and its Opposition to

Defendant's Summary Judgment Motion, Plaintiff relies primarily on exhibits proffered on prior motions. *See* Plaintiff's Mot. at 1 n. 1; Plaintiff's Opp. at 2 n. 2.

Although Plaintiff alleges eight claims for relief in its First Amended Complaint, the only issue on these cross-motions is likelihood of confusion. Plaintiff has alleged claims for trademark infringement under 15 U.S.C. §§ 1114 (FAC ¶¶ 31-34), common law trademark infringement (FAC ¶¶ 48-52), false designation of origin under 15 U.S.C. § 1125 (FAC ¶¶ 35-40); trade name infringement under Bus. & Prof. § 14402 (FAC ¶¶ 41-47); common law trade name infringement (FAC ¶¶ 53-57); unfair competition under Bus. & Prof. § 17200 (FAC ¶¶ 64-66); common law unfair competition (FAC ¶¶ 58-63) and fraudulent transfer under Civ.Code § 3439.04 (FAC ¶¶ 67-76). Both parties agree that Plaintiff's trademark infringement, trade name infringement and unfair competition claims turn on the same likelihood of confusion analysis. The false designation of origin claim also turns on likelihood of confusion. *E.g. Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F.2d 1352, 1354 (9th Cir.1985). Plaintiff's fraudulent transfer claim is no longer in this case, because it recites facts pertaining only to Defendant Gaylord Entertainment, Inc., a party this Court dismissed for lack of personal jurisdiction in January 2003. 1/27/03 Order.

In assessing likelihood of confusion, the Court considers eight factors: (a) the strength of Plaintiff's mark; (b) the relatedness of the two companies' goods or services; (c) the similarity of the marks; (d) evidence of actual confusion; (e) the marketing channels used; (f) the degree of care likely to be exercised by purchasers; (g) the likelihood of expansion of the product lines and (h) Defendant's intent in selecting the mark. *AMF Inc. v.*

Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir.1979) ("*Sleekcraft* factors"). To prevail on Defendant's Summary Judgment motion, Plaintiff must "create a genuine issue that confusion is probable, not simply a possibility." *Cohn v. Petsmart, Inc.*, 281 F.3d 837, 842 (9th Cir.2002) (quotation omitted).

Plaintiff believes that it has raised claims for both forward and reverse confusion; Defendant argues that the First Amended Complaint properly states claims only for forward confusion. As the Court discusses below, whether Plaintiff has properly claimed reverse confusion does not affect the outcome, because Plaintiff has not raised a genuine issue about either forward or reverse confusion.

A. Likelihood of Forward Confusion

Plaintiff's business consists of (1) music industry database applications, including the M2 Record Label Management System (RLMS); (2) providing management services to record labels, such as management of album catalogs and sales information; (3) the website "M2MUSIC.COM," which provides digital audio and video over the internet; and (4) music content on CDs, CD-ROMs, cassettes, and the internet. 11/27/02 Order at 1-2. Items (1) and (2) are marketed within the music industry and not to the public at large. *Id.* at 2.

Defendant is an "artist-based independent Christian music company," Escamilla ***1170** Decl. in Support of Pl.'s SA Mot. ("Escamilla Decl.") Exh. 7 at 36, that distributes audio and video recordings featuring Christian music. 11/12/02 Caplan SJ Decl. Exh. 20 at 380. Defendant has jointly developed with Integrity Media, Inc., its parent company, a line of CDs and DVDs called "iWorship." The iWorship CDs include "the most popular contemporary and

emerging modern Christian songs in the world." Escamilla Decl. Exh. 7 at 50. The DVDs are "designed to enhance the worshiper's experience through visuals combined with sing-along lyrics and click tracks for musicians and worship leaders." *Id.* Defendant's "M2.0" mark does not appear anywhere on the outside packaging of the iWorship double CD and DVD lodged with the Court [FN3] and Plaintiff has not provided any evidence that any other iWorship products or promotional materials contain the "M2.0" mark.

> FN3. However, Defendant's mark does appear on the last page of the booklet inside the CD packaging in which the text states that one of the songs on the album was "courtesy of M2.0." Additionally, Defendant's "M2.0" mark appears, along with 5 other marks, for approximately one second on the DVD video. 11/18/02 Escamilla Decl. Exh. 1.

Recognizing that the goods and services Plaintiff provides to the recording industry are different from the goods it sells to the general public, both Judge Baird and this Court have considered the *Sleekcraft* factors separately as they pertain to general consumers and the record industry.

(a) *Strength of Plaintiff's "M2" Mark*

Plaintiff argues that in a trademark infringement action, the strength of a mark is determined based solely on its conceptual strength. Because "M2" is an arbitrary or fanciful term, Plaintiff argues, its mark is deemed inherently strong and the strength inquiry must end there. This is an incorrect statement of the law. "Th[e] 'strength' of [a] trademark is evaluated in terms of its conceptual

strength *and commercial strength.*" *GoTo.com, Inc. v. Walt Disney Company,* 202 F.3d 1199, 1207 (9th Cir.2000) (citing 2 *McCarthy on Trademarks and Unfair Competition* § 11:83 (hereinafter " *McCarthy* ")) (emphasis added). A court measures a mark's commercial strength by reference to the plaintiff's use of the mark in the marketplace. *See 2 McCarthy* § 11:83 ("Many arbitrary and suggestive terms may be conceptually and inherently strong, but if they receive little publicity through only meager advertising and feeble sales, they are relatively weak marks in the place where it counts: the marketplace.").

Plaintiff contends that market strength considerations occur in dilution cases only and that it would be error to consider commercial strength in this infringement case. Plaintiff is wrong. The *GoTo.com* case was not about dilution; like this case, it was a suit for infringement under section 43(a)(1) of the Lanham Act (15 U.S.C. § 1125(a)(1)). *GoTo.com,* 202 F.3d at 1204 n. 3, 1206. Similarly, the quoted section of *McCarthy* does not pertain to dilution cases specifically, but rather to the strength of a mark generally.

Plaintiff's reliance on *Morningside Group Ltd. v. Morningside Capital Group, L.L.C.,* 182 F.3d 133 (2d Cir.1999) is unavailing. In that case, the Second Circuit held that the district court had erred in relying on the plaintiff's lack of advertising in concluding that the plaintiff's mark was weak. The court stated that the absence of advertising "need not weaken" a mark, especially where, as in that case, the plaintiff obtained recognition by consumers without the need for advertising. *Id.* at 139. The court stated that "[w]hen a claimant has no need for traditional advertising because of the nature of its market, it should not feel compelled to advertise ***1171** simply to protect its service mark." *Id. Morningside Group* did not

hold that commercial strength is not relevant to likelihood of confusion; it held that evidence of advertising is not necessary where other indicia of commercial strength are available. *See Therma-Scan, Inc. v. Thermoscan, Inc.*, 295 F.3d 623, 632 (6th Cir.2002) (citing *Morningside Group* and stating that not "examining whether the mark is - distinctive *and well-known in the general population,* would shift the focus away from the key question of whether relevant consumers are likely to believe that the products or services offered by the parties are affiliated in some way.") (emphasis added).

The facts relating to this factor are substantially unchanged from those before the Court when it ruled on the Preliminary Injunction motion. Plaintiff's "M2" mark is arbitrary or fanciful, rendering it conceptually strong. However, the commercial strength of Plaintiff's mark among general consumers is extremely weak. The evidence of Plaintiff's marketing efforts to general consumers relating to its music CD and CD-ROM products appears to consist of a few advertisements in magazines such as *Music Connection* and *BAM.* Caplan Decl. Regarding Excerpts of Escamilla's Deposition ("Caplan Decl. I") Exh. 45 at 307-312. Plaintiff does not provide evidence that it has created or sold any new or additional CD or CD-ROM content since Judge Baird correctly found in January 2002 that Plaintiff's sales of those items were too "flabby" to warrant a finding by any reasonable trier of fact that confusion is likely. *Madacy* case 1/4/02 Order (" *Madacy* SJ") at 16. Plaintiff itself characterizes its CD and CD-ROM sales as "minuscule." Plaintiff's Opp. at 5 n. 3.

Plaintiff's evidence regarding its record industry consumers does raise a genuine issue about the strength of its mark in that arena, albeit barely. As it did at the preliminary injunction stage, Plaintiff claims vaguely to

have engaged in "day-to-day advertising, promotion and marketing of its M2 mark to major record labels located in Los Angeles, Miami, Nashville, New York City and throughout the United States." M2 Software's Opp. at 5-6 (citing Escamilla Decl. in Support of Preliminary Inj. Mot. ¶ 21). Plaintiff also estimates that it has expended $2.75 million over the past ten years on promotional efforts in the music industry, including promotion of its mark at various music industry trade conferences, and on "securing and protecting its exclusive right to use the M2 mark." Caplan Decl. in Support of M2 Communications's SJ Mot. ("Caplan Decl. II") Exh. 2 at 30-31. After subtracting from that sum the $1 million Plaintiff has previously alleged were spent on enforcement efforts, *see* 11/27/02 Order at 6, (which are not sufficient to show that Plaintiff's mark is strong), that leaves about $1.75 million in unspecified and unproven expenditures over 10 years on promotion to record industry consumers.

Plaintiff proffers little evidence of actual sales of its record label management products and services. On these motions and on its motion for a preliminary injunction, Plaintiff has proffered a total of about 15 "Site Licensing" or "Royalty Processing" Agreements, most of which are redacted, in which Plaintiff provided its RLMS system or its record management services to customers. Most of the agreements provided are from 1997 or earlier. There is no evidence in the record about the number of customers Plaintiff currently has.[FN4] ***1172*** Indeed, there is little indication of who Plaintiff's customers are, since customer names in the contracts are in many instances redacted.

> FN4. Plaintiff claims it provided a list of customer names in its Interrogatory Responses and that Defendant omitted the relevant pages of those responses from the

exhibits Defendant filed in relation to these motions. But Plaintiff inexplicably did not file the allegedly omitted customer list itself.

(b) Relatedness of Products/Services

In assessing the relatedness of the parties' goods and services, the Court considers whether the relevant consumers are likely to associate M2 Communications's products with the products and services of M2 Software. *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1056 (9th Cir.1999). Whether the parties compete for an "overlapping audience" is relevant to this inquiry. *Id.* When the Court denied Plaintiff's Preliminary Injunction motion, it considered the sparse record relating to the proximity of Plaintiff's CD-ROM products and Defendant's Christian music recordings. The Court observed that Plaintiff's musical offerings, including "acid-jazz" artists, were vastly different from Defendant's Christian music offerings and that Plaintiff had provided no evidence that consumers of its CD-ROM products would overlap with Defendant's target audience. 11/27/02 Order at 8-9. *See Q Division Records, LLC v. Q Records*, 2000 WL 294875, *4 (D.Mass.) (Stating that although both parties sold musical recordings "that is not the end of the matter, since this type of classification is so broad as to be meaningless.")

The only new evidence regarding the proximity of Plaintiff's CD-ROM products favors Defendant. Defendant proffered an expert report by Bill Conine,[FN5] an individual with experience in the Christian music industry, who opines that Christian music is a "niche" market that is delineated by its lyrical content. Caplan Decl. II Exh. 9 at 114 (Conine Report). Conine states that two trade associations-the Gospel Music Association and the Christian Music Trade

Association-assess lyrical content to determine whether a particular product ought to be classified as Christian music for purposes of tracking its sales in a database called Christian Soundscan. *Id.* at 114-15. Conine represents that Plaintiff's CDs and CD-ROMs are not listed on Christian Soundscan and opines that the Christian Music Trade Association would not consider Plaintiff's music content as Christian music. *Id.* at 115. Thus, even if Plaintiff's products were sold in a general record store, they would be sold in a separate section from Defendant's products, *id.*, and Plaintiff's products would not be sold in the Christian bookstores where Defendant's products are primarily sold. 11/27/02 Order at 3.

> FN5. Plaintiff did not depose Mr. Conine, did not furnish a competing expert report or consumer study, and does not address Mr. Conine's competence or credibility in any of its papers.

Plaintiff argues that the relevant issue is not whether its CD-ROM products are related to Defendant's products, but whether its RLMS and record label management services are related to Defendant's Christian music products. Plaintiff argues that the conceptual strength of its "M2" mark makes record industry consumers likely to associate M2 Communications's Christian music with M2 Software's record business services. No reasonable jury could come to that conclusion. Plaintiff's royalty processing products and services and Defendant's Christian music products are not complementary, not sold to the same class of purchasers and not similar in use or function. *See Walter v. Mattel, Inc.*, 210 F.3d 1108, 1111 (9th Cir.2000). Plaintiff appears to argue that members of record industry who work for Christian record labels will believe that Plaintiff and Defendant are affiliated, because Plaintiff has

provided record label business services to Christian record labels. Pl.'s Mot. at 5; ***1173** Pl.'s SGI ¶¶ 114, 115. Plaintiff points out that one of its Christian label customers has a distribution agreement with "Word Entertainment," which is also M2 Communications's distributor Pl. Mot. at 5 n. 2 (citing 11/18/02 Escamilla Decl. Exh. 6 at 19-21). This argument does not raise a genuine issue about a likelihood of confusion. Plaintiff has proffered absolutely no evidence to indicate that this strained, narrow and limited connection makes confusion by record industry professionals *probable. Cohn,* 281 F.3d at 842 (Plaintiff must "create a genuine issue that confusion is probable, not simply a possibility.") (quotation omitted). First, that a record label to whom Plaintiff provides royalty tracking services uses the same distributor as Defendant, without more, cannot raise a genuine issue that confusion is probable among record industry professionals. Second, Plaintiff has proffered no evidence to counter Defendant's expert's statement that record industry professionals understand the difference between a company that tracks royalties and a Christian record label that provides musical content. Caplan Decl. II. Exh. 9 at 117-18 (Conine Report). Third, Plaintiff does not proffer evidence to dispute Mr. Conine's expert statement that the Christian music industry is a "close-knit business where most people either personally know or know of the significant players in the business," including Jeff Moseley, Defendant's Chief Manager, *id.* at 118; 8/23/02 Moseley Decl. ¶ 1, and that "when record industry professionals deal with [Moseley] or M2 Communications, LLC, or the M2.0 ··· record label[ ], they know who they are dealing with." Caplan Decl. II Exh. 9 at 118 (Conine Report).[FN6]

> FN6. What record industry professionals think when they deal with Plaintiff M2 Software is a reverse confusion issue. As the Court discusses *infra,* Plaintiff has not raised

a genuine issue about reverse confusion either.

(c) Similarity of the Marks

The "determination of 'similarity' involves consideration of the marks and names in their entirety and as they appear in the marketplace." *Nutri/System, Inc. v. Con-Stan Indus. Inc.*, 809 F.2d 601, 605-606 (9th Cir.1987) (citation omitted). There remains a genuine issue about whether "sight, sound and meaning," *Brookfield*, 174 F.3d at 1054, of the parties' respective marks are similar enough to engender confusion.

This is the only *Sleekcraft* factor that weighs in favor of the Plaintiff.

(d) Evidence of Actual Confusion

Nothing has changed since the Court remarked in its Order denying Plaintiff's request for a Preliminary Injunction that "[w]hile this factor is not as important as the others ··· Plaintiff has not proffered a shred of evidence of actual confusion regarding either its general or record industry consumers." 11/27/02 Order at 10.

(e) Marketing Channels

For the reasons provided in the Court's Order Denying Plaintiff's Motion for a Preliminary Injunction, there is simply no evidence that the parties employ the same primary marketing channels. 11/27/02 Order at 9-10. Additionally, Plaintiff's argument that this factor weighs in its favor because both parties use the Internet is unfounded. " *Some* use of the Internet for marketing ··· does not alone and as a matter of law constitute overlapping marketing

channels." *Entrepreneur Media, Inc. v. Smith,* 279 F.3d 1135, 1151 (9th Cir.2002). Plaintiff has not shown that it uses its website, which appears to be geared primarily to providing music and ***1174** video content, Pl.'s Opp. at 5, as a "substantial marketing and advertising channel," *Entrepreneur Media,* 279 F.3d at 1151, for the RLMS products and label management services it provides to its record industry customers. Additionally, even if Plaintiff considers its website as a substantial marketing channel for its CD-ROM musical products, "the failure to provide *any* evidence of sales attributable to the website [*see* Caplan Decl. I at 127:1-128:17], prevents the inference that this site has created recognition of the mark or the qualities of M2 Software's product lines among the general public." *Madacy* SJ at 18.

(f) Purchasers' Degree of Care

As for Plaintiff's CD-ROM products, the Court has already noted-and no evidence has been proffered to the contrary-that "the role of the trademark in the purchase of musical recordings is generally subordinate in a meaningful way to the purchaser's search for the artist and the composition." *Sunenblick,* 895 F.Supp. at 634. *See also Tsiolis v. Interscope Records, Inc.,* 946 F.Supp. 1344, 1356 (N.D.Ill.1996) ("[C]ustomers are motivated to purchase recordings based upon the performer, not the record label ··· [and] are necessarily discriminating between musical genres."). Defendant's expert opines that, aside from "a limited number of possible exceptions," [FN7] Caplan Decl. Exh. 9 at 115 n. 2 (Conine Report), "it is essentially unheard of in the music business for a consumer to search for music recordings by record label." *Id.* at 115. Mr. Conine opines that general market retailers organize products by musical genre, *id.* at 114, and that Defendant's

Christian recordings would not be classified as the same genre as Plaintiff's CD-ROMs. *Id.* at 115.

> FN7. Plaintiff challenges Conine's conclusion by pointing out that amazon.com has a "label stores" area which lists albums by record label. The "label stores" contain only a limited number of famous labels, such as Deutsche Grammophon, Blue Note and Motown Records. It does not list Plaintiff's or Defendant's labels. Plaintiff does not dispute Defendant's expert's contention that "purchasers of Christian music recordings in particular make purchasing decisions based on the artist or the style of music, and not the record label." Caplan Decl. II Exh. 9 at 116 (Conine Report).

For Plaintiff's record business products and services, Plaintiff has not provided any evidence to rebut Defendant's expert's opinion, supported by case law, that record industry professionals know the difference between a company that provides royalty tracking services and a label that provides Christian music products. Caplan Decl. II Exh. 9 at 118 (Conine Report); *Q Division Records*, 2000 WL 294875, at *5 ("[Record] industry insiders ··· are presumed to be quite sophisticated."). Moreover, Plaintiff's royalty management products and services are expensive (according to a 2001 contract Plaintiff proffered, the annual fee was $17,000 for 2001 and 2002, Caplan Decl. I. at 239) and even a one-time decision to purchase Plaintiff's services creates an ongoing relationship with Plaintiff. There is no indication that a record label considering entering into a services or software licensing contract with Plaintiff lasting a year or more would not consider carefully the origin and nature of Plaintiff's services before entering into such a contract.

Plaintiff's citation to *Television Enterprise Network, Inc. v. Entertainment Network, Inc.*, 630 F.Supp. 244, 247 (D.N.J.1986), does not alter the analysis. On a Preliminary Injunction motion in that case, the Court noted that "[d]eals [in the television business] are cut over the telephone and through signatures on form contracts. There need be no prolonged negotiations, no personal visits, no personal services." *Id.* This, Plaintiff argues, weighs against a finding that record industry professionals ***1175** display care as consumers of products or services such as those of Plaintiff or Defendant. However, there is no evidence before the Court that (a) when Defendant M2 Communications makes deals with other record labels (if it makes such deals at all), those deals involve form contracts and lack prolonged negotiations, personal visits and the like; or (b) that this is the manner in which Plaintiff deals with its record label customers.

(g) Likelihood of Expansion

"A strong possibility that either party may expand his business to compete with the other will weigh in favor of finding that the present use is infringing." *Sleekcraft*, 599 F.2d at 354. Mr. Escamilla, the President of M2 Software, has testified that he is interested in developing web content in the rock, techno, metal, pop and jungle music genres. Pl.'s SGI ¶¶ 68-69. Plaintiff has not demonstrated that it intends to expand into Defendant's Christian music genre, nor that consumers believe that this is the case. Similarly, there is no evidence that Defendant intends (or that consumers believe that Defendant intends) to expand ... to music genres other than Christian music.

Plaintiff argues, citing Defendant's current "iWorship" multimedia offerings, that "consumers will perceive that Defendant will ··· expand into ··· interactive

software offerings in an intersecting field." Pl.'s Opp. at 23. It is unclear what "intersecting field" Plaintiff is talking about. If Plaintiff means CD-ROM products, that categorization is too broad to be meaningful. Even if Defendant is likely to produce CD-ROM products in the future, there is no evidence that they would have anything other than a Christian theme, which is outside the realm of Plaintiff's CD-ROM products. If by "intersecting field" Plaintiff means royalty processing software applications, there is absolutely no evidence that Defendant intends-or that record industry consumers perceive that Defendant intends-to expand into this field. Contrary to Plaintiff's implication, that Integrity Media, Inc., Defendant's parent company, sells software, 5/29/03 Escamilla Decl. Exh. 7 at 36 (Integrity Media, Inc.'s 2002 10-K filing), says nothing about Defendant's likelihood of expansion.

(h) Defendant's Intent in Selecting the Mark

"Adopting a designation with knowledge of its trademark status permits a presumption of intent to deceive." *Interstellar Starship Services, Ltd. v. Epix, Inc.*, 184 F.3d 1107, 1111 (9th Cir.1999) (citing *Brookfield*, 174 F.3d at 1059). Plaintiff argues that the constructive notice its trademark registration served is sufficient to infer such knowledge on Defendant's part. *See Id. But see* 3 *McCarthy* § 23:109 ("[T]he existence of constructive notice [of a plaintiff's registration] is not evidence that a later user necessarily intended to confuse."). However, even if intent must be presumed in this case, this factor "loses importance" where "due to weakness of the mark and differences in the marks and goods, there is no infringement." *Id.* § 23:107. This is so, because a Defendant's intent is irrelevant if it has not actually committed a wrong in the first place. *Id.* As discussed above, other than the similarity of the marks, nearly all of

the *Sleekcraft* factors strongly favor the Defendant. Therefore, even if Defendant intended to capitalize on Plaintiff's goodwill, the Court finds that no reasonable jury could conclude that there is a likelihood of forward confusion between Plaintiff's products and services and Defendant's products. *See Brookfield,* 174 F.3d at 1059 ("[T]his [intent] factor is only relevant to the extent that it bears upon the likelihood that consumers will be confused by the alleged infringer's mark.").

The above analysis leads to the conclusion that no reasonable juror could conclude***1176** that members of the public generally or record industry consumers are likely to believe that there is an "affiliation, connection, or association" between Plaintiff's goods and services and Defendant's goods, or that Defendant's goods originate from, are sponsored by or are approved by Plaintiff. 15 U.S.C. § 1125(a)(1)(A). Accordingly, Defendant's Motion for Summary Adjudication on forward confusion is GRANTED and Plaintiff's Motion for Summary Adjudication on this same claim is DENIED.

B. Likelihood of Reverse Confusion

"The question in [reverse confusion] cases is whether consumers doing business with the senior user might mistakenly believe that they are dealing with the junior user." *Walter,* 210 F.3d at 1110 (9th Cir.2000) (quoting *Dreamwerks Prod. Group, Inc. v. SKG Studio,* 142 F.3d 1127, 1130 (9th Cir.1998)). When evaluating reverse confusion, the Court focuses on the strength of M2 Communications's mark, because "the greater the power of [M2 Communications's] mark in the marketplace, the more likely it is to capture the minds of [M2 Software's] customers." *Id.* at 1130 n. 5. Indeed, the Ninth Circuit has stated that reverse confusion occurs when "the smaller

senior user ··· seeks to protect its business identity from being overwhelmed by a larger junior user who has saturated the market with publicity." *Cohn*, 281 F.3d at 841.

No reasonable jury could find reverse confusion in this case, because Plaintiff has provided no evidence that M2 Communications "saturated the market" with publicity. Plaintiff argues that upon encountering Plaintiff's music business products, a record label executive "may simply assume that [Defendant] has expanded into providing ··· record label management services." Pl.'s Reply at 5. However, this assertion does not establish that confusion is "probable, not simply a possibility," *Cohn*, 281 F.3d at 842, among "an appreciable number" of consumers. *Entrepreneur Media*, 279 F.3d at 1151. The evidence is that Defendant publicizes its products in the Christian music market by advertising in Christian publications, Christian music conferences and the like. There is no evidence that Defendant's marketing efforts are so extensive, in that area or any other area, that such efforts likely would cause a record industry professional to believe that Defendant has expanded into the royalty processing business. Similarly, there is no evidence that Defendant publicized its "M2.0" mark in the Christian music market to such an extent that a general Christian music consumer would believe that Defendant had expanded into the non-Christian music genres in which Plaintiff's CD-ROM products and website fall. *Compare Dreamwerks*, 142 F.3d at 1130 (Defendant DreamWorks SKG had a "famous mark" that "casts a long shadow."); *Cohn*, 281 F.3d at 839, 841 (Court found that "extensive advertising" by Defendant Petsmart, a national chain of pet supplies stores, "[gave] it the ability to overwhelm any public recognition and goodwill that Cohn [had] developed.").

C. Defendant's Request for Attorneys' Fees

"The court in exceptional cases may award reasonable attorney fees to the prevailing party." 15 U.S.C. § 1117(a). The Ninth Circuit has held that this requirement is satisfied when the suit is "groundless, unreasonable, vexatious, or pursued in bad faith." *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1156 (9th Cir.2002) (quoting *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 881 (9th Cir.1999)). The Court declines to award attorneys' fees in this case.

First, although Plaintiff's actions in this litigation have on occasion been misguided, ***1177** the Court cannot find with the requisite confidence that Plaintiff pursued this action in bad faith. Second, the Court does not find that Plaintiff's suit was wholly "groundless" or "unreasonable." This is not a situation where Plaintiff sued on an invalid trademark registration for a generic term and without admissible evidence for a good faith belief that infringement was occurring. *E.g. K-Jack Engineering Co. v. Pete's Newsrack, Inc.*, 209 U.S.P.Q. 386, 387 (C.D.Cal.1980). Nor is there evidence of an ulterior competitive motive. 5 *McCarthy* § 30:101 at 30-196 to 30-197.

Defendant argues that the Court ought to award attorneys' fees, because "Plaintiff blindly pursued this action while taking no steps to fulfill its burden." Dft.'s Reply at 21-22. Defendant notes that Plaintiff did not depose Defendant's managing agent and experts, chose not to conduct any third party discovery and did not conduct a survey regarding likelihood of confusion. First, Plaintiff *did* conduct a survey, albeit a poorly designed one and focused on another case, that included questions about Defendant's "M2.0" mark. 8/26/02 Madacy Mot. *in limine* No. 2 Exh.

B-1 Q.8 (*Madacy* case). That the Court granted a motion *in limine* in that case to exclude the survey on the basis of its poor design does not warrant penalizing Plaintiff again by awarding attorneys' fees. Second, Plaintiff's discovery failures are partly the reason Plaintiff was unable to raise a genuine issue on these motions. That Plaintiff lost its case is a sufficient sanction for its sloppy discovery conduct.

IV.
CONCLUSION

For the foregoing reasons, Defendant's Motion for Summary Judgment [FN8] is GRANTED and Plaintiff's Motion for Summary Adjudication on the Issue of Likelihood of Confusion [FN9] is DENIED. Defendant's Motion for Summary Adjudication on the issue of Damages is MOOT.[FN10] Defendant's request for attorneys' fees is DENIED.

FN8. Docket No. 145.

FN9. Docket No. 150.

FN10. Docket No. 154.

Defendant shall lodge a proposed Judgment consistent with this Order by not later than August 8, 2003.
IT IS SO ORDERED.

Date: August 1, 2003

s/ A. Howard Matz
United States District Judge

Toula A Arvanitis-Dalpe, Toula A Arvanitis-Dalpe Law Offices, Anaheim, CA, for plaintiff.

Anthony M Keats, Larry W McFarland, David K Caplan, Keats McFarland & Wilson, Beverly Hills, CA, Mark Hayes Wildasin, Robb S Harvey, Waller Lansden Dortch & Davis, Nashville, TN, John E McOsker, Waller Lansden Dortch & Davis, Los Angeles, CA, for defendants.

APPENDIX E

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

No. 03-56602
D.C. No. CV-02-01588-AHM

Filed Nov. 1, 2005

M2 SOFTWARE INC.,
a Delaware corporation, Plaintiff--Appellant,

v.

M2 COMMUNICATIONS, L.L.C., a limited liability company; Jeff Moseley, an individual; Gaylord Entertainment Inc., a corporation, Defendants--Appellees.

ORDER

Before PREGERSON, CANBY, and BEEZER, Circuit Judges.

The panel has voted to deny the petition for panel rehearing. Judge Pregerson votes to deny the petition for rehearing en banc and Judges Canby and Beezer so recommend.

The full court has been advised of the petition for rehearing en banc and no judge has requested a vote to rehear the matter en banc. Fed. R. App. P. 35.

The petition for panel rehearing and the petition for rehearing en banc are DENIED.

APPENDIX F

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

No. 03-56602
D.C. No. CV-02-01588-AHM

Filed Nov. 2, 2005

M2 SOFTWARE INC.,
a Delaware corporation, Plaintiff--Appellant,

v.

MADACY ENTERTAINMENT, a corporation, Handleman Company, a corporation, SFX Entertainment, a corporation, Defendants--Appellees.

ORDER

Before PREGERSON, CANBY, and BEEZER, Circuit Judges.

Judge Pregerson has voted to deny appellant's petition for rehearing en banc. Judges Canby and Beezer have recommended that the petition for rehearing en banc be denied.

The full court has been advised of the petition for rehearing en banc, and no judge of the court has requested en banc rehearing. Fed. R. App. P. 35(b).

The petition for rehearing en banc is DENIED.

APPENDIX G

15 U.S.C. § 1114(1)

(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

As used in this paragraph, the term "any person" includes the United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, or other persons acting for the United States and with the authorization and consent of the United States, and any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. The United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, other persons acting for the United States and with the authorization and consent of the United States, and any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

15 U.S.C. § 1125(a)

(a) Civil action

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

(2) As used in this subsection, the term "any person" includes any State, instrumentality of a State or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

(3) In a civil action for trade dress infringement under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional.

4

No. 05-967

Supreme Court, U.S.
FILED
MAR 6 - 2006
OFFICE OF THE CLERK

In The
Supreme Court of the United States

M2 SOFTWARE, INC.,

Petitioner,

v.

MADACY ENTERTAINMENT, and
M2 COMMUNICATIONS, L.L.C., et al.,

Respondents.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

LARRY W. MCFARLAND, ESQ.
Counsel of Record
DAVID K. CAPLAN, ESQ.
KEATS MCFARLAND & WILSON LLP
9720 Wilshire Blvd., Penthouse Suite
Beverly Hills, California 90212
Tel. (310) 248-3830

Attorneys for Respondents M2 Communications, L.L.C. and Jeff Moseley

COCKLE LAW BRIEF PRINTING CO. (800) 225-6964
OR CALL COLLECT (402) 342-2831

QUESTIONS PRESENTED

1. Whether there is a conflict between the Circuits as to the scope of federal trademark protection against confusion as to source, sponsorship, approval, affiliation, connection, or association.

2. Whether the Lanham Act provides for individualized standards for infringement claims based on the types of products or services offered by the parties.

LIST OF PARTIES AND RULE 29.6 LISTING

Respondent M2 Communications, L.L.C.'s ("Respondent") name was changed to INO Records, L.L.C. It is a wholly owned subsidiary of Integrity Media, Inc.

As the questions presented refer only to the Ninth Circuit's decision as to Petitioner's trademark claims, defendant Jeff Moseley, who was dismissed for lack of jurisdiction, *see M2 Software, Inc. v. M2 Communications, L.L.C.*, 149 Fed.Appx. 612, 615 (9th Cir. Sept. 12, 2005), *reh'g en banc denied* (9th Cir. Nov. 1, 2005) [Appendix B to Petition at 30a-32a] is not properly listed as a respondent. *See Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 579 n.3 (1986).

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In addition to the opinions included in the Petition, the Ninth Circuit also issued an unpublished Memorandum decision in which it affirmed the District Court's denial of Petitioner's motion for a preliminary injunction, which is included in the appendix hereto at App. 1.

I. STATEMENT OF THE CASE

Petitioner/Plaintiff M2 Software, Inc. ("Petitioner"), owns a federal trademark registration for the "M2" mark.[1] Petitioner's trademark rights and a description of its products is set forth at *M2 Software, Inc. v. Madacy Entm't*, 421 F.3d 1073, 1077 (9th Cir. 2005), *reh'g en banc denied* (9th Cir. Nov. 2, 2005). Briefly, the evidence in this case established that Petitioner uses this trademark in connection with its software database system, which it licenses for thousands of dollars to certain small record labels for their use to manage royalties and other company information. (ER 164-8; SER 0350, 0444.)[2] Petitioner has also used the M2 mark on a small selection of CD-ROMs and CDs. These products were not sold in retail outlets other than 115 copies that were sold via Amazon.com. (SER 0208-36, 0625-30.) None of Petitioner's products are Christian music products. (SER 0158-59, 0164-170.)

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[1] United States Patent & Trademark Office Registration Number 1,931,182.

[2] Citations to "ER" are to Petitioner's Excerpts of Record before the Ninth Circuit; Citations to "SER" are to Respondent's Supplemental Excerpts of Record before the Ninth Circuit.

Respondent M2 Communications, L.L.C. is a distributor of Christian music recordings, some of which were distributed under its "M2.0" label. (SER 0159-61, 0385-86.) Christian music is a niche market that operates outside the general music industry. (SER 0157.) Christian music is delineated solely by lyrical content, rather than music style, as is typical of general music genres. (*Id.*) Christian music is reviewed by two industry "gateway" associations to ensure that it is appropriate for the Christian music market. (*Id.*) As a niche market, Christian music products are primarily distributed through Christian retail stores called "Christian Bookstores." (*Id.*) Christian music is primarily advertised in Christian lifestyle magazines, Christian music fanzines, and direct-to-consumer advertising through catalogs by Christian Bookstores. (*Id.*) There is also some radio advertising geared toward Christian music listeners on Christian music stations. (*Id.*) When distributed in retail channels, Christian music is typically separated from all other genres and placed in its own section. (SER 0157.) Music recordings are not separated by record label in retail stores and it is essentially unheard of in the music business for a consumer to search for music recordings by record label. (SER 0158-59.) No Christian Bookstores or general market retailers separate Christian music recordings by any particular record label. (SER 0158.)

In accordance with these industry standards, Respondent's recordings are primarily distributed to and sold through Christian Bookstores. (SER 0157, 0320.) Respondent advertised its products only in Christian music and lifestyle publications, and at Christian music conferences. (SER 0157, 0322.) The parties never sold products in the

same retail stores, never advertised in the same publications, and never attended the same conferences. There was no evidence of any market interaction or overlap between the parties' products or services. The record is also devoid of a single instance of actual confusion.

Petitioner filed a complaint against Respondent, alleging trademark infringement under 15 U.S.C. § 1114, false designation of origin under 15 U.S.C. § 1125(a), and corresponding claims under California law. The District Court granted Respondent's motion for summary judgment based on its examination of the Ninth Circuit's likelihood of confusion test used to examine claims brought under 15 U.S.C. §§ 1114 and 1125(a).[3] Contrary to the Petition, the District Court did not base its decision on the limited finding that there was no likelihood of "direct purchaser mistake as to source." (Petition at 3.) While the District Court's decision encompasses that finding, it is much broader: the District Court concluded that

> no reasonable juror could conclude that members of the public generally or record industry consumers are likely to believe that there is an "affiliation, connection, or association" between Plaintiff's goods and services and Defendant's goods, or that Defendant's goods originate from, are sponsored by or are approved by Plaintiff.

M2 Software, Inc. v. M2 Communications, L.L.C., 281 F. Supp. 2d 1166, 1175-76 (C.D. Cal. 2003), *citing* 15 U.S.C. § 1125(a)(1)(A). The Court came to this conclusion after discussing and rejecting Petitioner's argument that

[3] As well as the corresponding California claims which are not at issue in the Petition.

"members of [the] record industry who work for Christian record labels will believe that Plaintiff and Defendant are affiliated." *M2 Communications*, 281 F. Supp. 2d at 1172-73. On appeal, in an unpublished Memorandum decision, the Ninth Circuit likewise examined the evidence and affirmed the District Court's decision that Petitioner had not presented sufficient evidence such that a reasonable jury could find a likelihood of confusion. *M2 Communications*, 149 Fed.Appx. at 613-14.[4]

II. REASONS FOR DENYING THE WRIT

A. Introduction.

The Petition should be denied for three reasons.

First, there is no conflict between the Circuits. All of the Circuits, including the Ninth Circuit, consider likelihood of confusion as to source, affiliation, sponsorship, association, or connection. Both the District Court and the Ninth Circuit in this case found no likely confusion of any type.

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[4] Petitioner's assertion that the Ninth Circuit found "no need" to address whether there was a likelihood of confusion as to affiliation, connection, or association is disingenuous. Petitioner's support for this assertion is a portion of the decision in *Madacy*, 421 F.3d at 1077, which addressed Petitioner's arguments with respect to the jury instructions in *that* case. *Id.* at 1089. As the *Madacy* decision makes clear, the Ninth Circuit merely found that there was no error in the jury instructions on the Petitioner's lone claim that went to trial in that case, namely the likelihood of reverse confusion by general music consumers. *Id.* As the decision also makes clear, one reason for the lack of error was that Petitioner itself agreed in the District Court with the instruction it challenged on appeal. *Id.* Moreover, the term "dealing with" (the focus of that disputed jury instruction), as used by the Ninth Circuit in its reverse confusion cases, encompasses sponsorship and association. *Walter v. Mattel, Inc.*, 210 F.3d 1008, 1110 (9th Cir. 2000).

Second, the entire Petition based upon Petitioner's argument that the parties are in the "same industry" and directly compete with each other. But that is a question of fact, and despite Petitioner's attempt to recast the record, the undisputed evidence showed that there was no genuine issue as to competition.

Third, the precedential value of this case, as with any case considering whether there is a likelihood of confusion between two parties' products and services, is limited to the facts at hand. Cases considering whether there is a likelihood of confusion center around a very specific comparison of what each of the parties do and what consumers are likely to believe. Congress has approved the judicial development of the likelihood of confusion analysis as implemented by the District Court and the Ninth Circuit (and all other Circuits for that matter). Here, based on detailed examinations of the marketplace as presented by the parties in the evidentiary record, each of the lower courts decided that no reasonable jury could find confusion likely. The cases at issue in the Petition are merely reflective of the courts' determinations that Petitioner had failed its evidentiary burden to present facts upon which a jury could find a likelihood of confusion.

This Court should deny the Writ.

B. There Is No Conflict Between the Circuits as to the Standard for Analyzing Likelihood of Confusion.

As this Court has recognized, 15 U.S.C. § 1114 protects against infringement of "registered marks" whereas 15 U.S.C. § 1125(a) protects against infringement of "unregistered marks." *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992). Whether a trademark is

registered or unregistered, the question is the same: Are consumers likely to be confused? *Id.* at 769. "The plaintiff's success is . . . subject to proof of infringement . . . [a]nd that . . . requires a showing that the defendant's actual practice is likely to produce confusion in the minds of consumers about the origin of the goods or services in question." *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 117 (2004) (citations omitted).

The premise of the Petition is that despite the language of 15 U.S.C. § 1125(a), as amended in 1988, the Ninth Circuit limits trademark owners to claims about direct consumer confusion and excludes confusion as to "affiliation, connection, association, sponsorship, or approval."

The Ninth Circuit makes no such distinction between types of confusion. Rather, in all cases brought under 15 U.S.C. §§ 1114 and 1125(a), courts in the Ninth Circuit determine whether there is a "likelihood of confusion." *Dr. Seuss Enters., L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394, 1404 (9th Cir. 1997).

The test used to examine likelihood of confusion has its foundation in the RESTATEMENT OF TORTS § 731 (1938), which set forth various factors to be analyzed in considering whether there exists a likelihood of confusion. The modern Restatement now lists eight factors. *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION §§ 20-23 (1995). Each Circuit has now implemented its own version of the Restatement test. *See* 4 J. Thomas McCarthy, MCCARTHY

ON TRADEMARKS AND UNFAIR COMPETITION §§ 24:30-43 (4th ed. 2005).[5]

This same test applies to claims of confusion as to source, sponsorship, affiliation, or connection, *id.* at § 24:6, and the Ninth Circuit is no different than all of the other Circuits in this regard.[6] *See Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 806-07 (9th Cir. 2003); *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1149 (9th Cir. 2002); *Brookfield Communications, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1046 n.8 (9th Cir. 1999); *Dr. Seuss*, 109 F.3d at 1404; *Academy of Motion Picture Arts and Sciences v. Creative House Promotions, Inc.*, 944 F.2d 1446,

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[5] The Ninth Circuit employs the "eight-factor *Sleekcraft* test . . . to analyze the likelihood of confusion question in all trademark infringement cases, both competitive and non-competitive." *Dr. Seuss Enters.*, 109 F.3d at 1404. The *Sleekcraft* factors are: 1) strength of the plaintiff's mark; 2) the relatedness of the parties' goods or services; 3) the degree of similarity between the parties' marks; 4) the existence of actual confusion; 5) the marketing channels used by the parties; 6) consumers' degree of care; 7) the defendant's intent in selecting the mark; and 8) the likelihood that either party will expand into the other party's product lines. *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979).

[6] *See Frosty Treats, Inc. v. Sony Computer Entm't Am., Inc.*, 426 F.3d 1001, 1010 (8th Cir. 2005); *Team Tires Plus, Ltd. v. Tires Plus, Inc.*, 394 F.3d 831, 835 (10th Cir. 2005); *Virgin Enters. Ltd. v. Nawab*, 335 F.3d 141, 146 (2d Cir. 2003); *Planetary Motion, Inc. v. Techsplosion, Inc.*, 261 F.3d 1188, 1201 (11th Cir. 2001); *In re Save Venice New York, Inc.*, 259 F.3d 1346, 1355 (Fed. Cir. 2001); *A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 237 F.3d 198, 216 (3d Cir. 2000); *WestchesterMedia v. PRL USA Holdings, Inc.*, 214 F.3d 658, 666 (5th Cir. 2000); *Johnny Blastoff, Inc. v. Los Angeles Rams Football Co.*, 188 F.3d 427, 436 (7th Cir. 1999); *Champions Golf Club, Inc. v. The Champions Golf Club, Inc.*, 78 F.3d 1111, 1118 (6th Cir. 1996); *PHC, Inc. v. Pioneer Healthcare, Inc.*, 75 F.3d 75, 78 (1st Cir. 1996).

1455-56 (9th Cir. 1991);[7] *see also, M2 Software, Inc. v. M2 Communications, L.L.C.*, 76 Fed.Appx. 123, 124 (9th Cir. August 13, 2003) [Opp. App. A-1] (In an earlier unpublished Memorandum decision, the Ninth Circuit rejected the same argument raised by Petitioner with respect to the denial of its motion for preliminary injunction).

The record in this case shows that neither the Ninth Circuit nor the District Court limited the analysis to confusion as to direct purchaser. The District Court explicitly found no confusion as to origin, sponsorship, affiliation, connection, or association. *M2 Communications*, 281 F. Supp. 2d at 1175-76. The Ninth Circuit likewise found that "no reasonable jury could find a likelihood of confusion between M2 Communications' Christian music products and M2 Software's music products and music business services." *M2 Communications*, 149 Fed.Appx. at 614.[8] Because there is no conflict between the Circuits, this Court should deny the Writ.

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[7] Indeed, the Ninth Circuit uses this same test in examining claims of "initial interest confusion," where there is no claim of "direct consumer confusion," but, rather, where the plaintiff asserts that the "defendant uses the plaintiff's trademark in a manner calculated to capture initial consumer attention, even though no actual sale is finally completed as a result of the confusion." *Interstellar Starship Services, Ltd. v. Epix, Inc.*, 304 F.3d 936, 941 (9th Cir. 2002).

[8] Assuming Petitioner's argument is that the failure of the Ninth Circuit to use the words "sponsorship, affiliation, or connection" in this sentence indicates that the Ninth Circuit limited its analysis to direct consumer confusion, there is no support for this argument. The Ninth Circuit does not limit the application of its *Sleekcraft* analysis or suggest that it was only examining confusion by direct purchasers, and the Ninth Circuit has consistently employed its *Sleekcraft* test to examine all types of actionable confusion. *See* Opp. App. A-1; *see also, Mattel, Inc.*, 353 F.3d at 806-07; *Interstellar Starship Services*, 304 F.3d at 941; *Cairns*, 292 F.3d at 1149; *Brookfield Communications*, 174 F.3d

(Continued on following page)

C. Petitioner's Argument Is a Recast Disagreement with the Formulation of the Factual Record Below.

This Court should deny the Writ for the additional reason that Petitioner has misstated the factual record. Petitioner posits that its Petition concerns competing users of "the same mark in the same industry," (Petition at 5), and that "the defendant junior record labels provide exactly the same class of goods under the identical trademark." (Petition at 23.) Petitioner further states that "The Ninth Circuit pointed to *no* evidence that would demonstrate that music industry professionals are any more sophisticated about trademarks than the average person." (Petition at 22.) When the pretense of a conflict between the Circuits is stripped away, Petitioner's argument is simply that it disagrees with each of the courts who have examined all of the likelihood of confusion factors and found that Petitioner had failed to fulfill its burden. However, the Supreme Court is not the place to review a purported "conflict of evidence." *N.R.L.B. v. Pittsburgh S.S. Co.*, 340 U.S. 498, 503 (1951).

The undisputed evidence established that the parties sold different products to different consumers, and that the relevant consumers – music purchasers and music industry executives – were discerning and unlikely to be confused. Both the District Court and the Ninth Circuit agreed that in light of Respondent's unique Christian music business, Petitioner had failed to establish that confusion was likely. The District Court conducted a

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at 1046; *Dr. Seuss*, 109 F.3d at 1404; *Academy of Motion Picture Arts and Sciences*, 944 F.2d at 1455-56.

detailed examination of the lack of market interaction reflected in the declaration of music industry expert Bill Conine, *M2 Communications*, 281 F. Supp. 2d at 1172-75, and the Ninth Circuit agreed. *M2 Communications*, 149 Fed.Appx. at 614. Petitioner simply had no evidence that the parties are in the same industry and could point to no evidence upon which a jury could find a likelihood of confusion. *M2 Communications*, 149 Fed.Appx. at 614.[9]

This mischaracterization of the record is important as it underscores a fundamental reason this Court should deny the Writ. Cases analyzing likelihood of confusion involve detailed considerations of the factual record presented by the parties. *See Beacon Mutual Ins. Co. v. Onebeacon Ins. Group*, 376 F.3d 8, 15 (1st Cir. 2004) ("these factors are not to be applied mechanically. Courts may consider other factors and may accord little weight to factors that are not helpful on the particular facts of a case."); *Interstellar Starship Services*, 304 F.3d at 942 (the "eight factor test is pliant, and the relative import of each factor is case specific."); *Shakespeare Co. v. Silstar Corp. of Am., Inc.*, 100 F.3d 234, 242 (4th Cir. 1997) ("Some of the factors may not always be relevant or equally emphasized in each case."); *Paddington Corp. v. Attiki Importers & Distribs., Inc.*, 996 F.2d 577, 584 (2d Cir. 1993) (this "is not a mechanical process where the party with the greatest number of factors weighing in its favor wins. Rather, a court should focus on the ultimate question of whether consumers are likely to be confused.") (internal citations and quotations omitted); *Homeowners Group, Inc. v. Home*

[9] The District Court noted that "Plaintiff's discovery failures are partly the reason Plaintiff was unable to raise a genuine issue on these motions." *M2 Communications*, 281 F. Supp. 2d at 1177.

Mktg. Specialists, Inc., 931 F.2d 1100, 1107 (6th Cir. 1991) ("Each case presents its own complex set of circumstances and not all of these factors may be particularly helpful in any given case."); *Int'l Kennel Club of Chicago, Inc. v. Mighty Star, Inc.*, 846 F.2d 1079, 1087 (7th Cir. 1988) ("different factors will weigh more heavily from case to case depending on the particular facts and circumstances involved."); *Calvin Klein Cosmetics Corp. v. Parfums de Coeur, Ltd.*, 824 F.2d 665, 668 (8th Cir. 1987) ("numerous factors may be weighed in determining whether there is a likelihood of confusion and . . . no one factor is dispositive in reaching that conclusion."); *Marathon Mfg. Co. v. Enerlite Prod. Corp.*, 767 F.2d 214, 218 (5th Cir. 1985) ("different factors will weigh more heavily from case to case depending on the particular facts and circumstances involved."); *Beer Nuts, Inc. v. Clover Club Foods Co.*, 711 F.2d 934, 940 (10th Cir. 1983) ("[N]o one factor is determinative. The facts of a particular case may require consideration of other variables as well.").

This Court is simply not the place to rehash the analysis of the likelihood of confusion factors. *N.R.L.B.*, 340 U.S. at 503.

D. Petitioner's Seventh Amendment Argument is Unavailing and Was Not Raised Below.

Petitioner asserts that its right to a jury trial under the Seventh Amendment was violated when the District Court granted Respondent's Motion for Summary Judgment. Petitioner never raised this argument below and it should not be considered by this Court. *See Youakim v. Miller*, 425 U.S. 231, 234 (1976); *Duignan v. U.S.*, 274 U.S.

195, 200 (1927); *see also* J.M. Moore, MOORE'S FEDERAL PRACTICE § 510.41[3][e][ii] at 510-32 (3rd ed. 2005).

Moreover, Petitioner's argument again misstates the record. Petitioner asserts that the lower courts improperly weighed evidence regarding purchaser sophistication against the evidence of the similarity of the marks and industry. Actually, in analyzing the likelihood of confusion factors on Respondent's motion for summary judgment, the courts did not "weigh" factors. Rather, the courts looked at the undisputed evidence marshaled by the parties, as this evidence relates to the likelihood of confusion factors, to determine whether Petitioner had shown "sufficient evidence to permit a rational trier of fact to find" for Petitioner. *M2 Communications*, 149 Fed.Appx. at 614; *see Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 254 (1986) (Courts must consider "quantum and quality of proof necessary to support liability" under the relevant law.). Because there was no issue of fact to be tried, summary judgment was appropriate. *See Celotex Corp. v. Catrett*, 477 U.S. 317, 327 (1986). The record establishes that Petitioner simply failed to come forward with the quantum of evidence required to show that confusion was likely. *M2 Communications*, 149 Fed.Appx. at 614; *see Anderson*, 477 U.S. at 254.[10]

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[10] To the extent Petitioner argues that the use of the Federal Rules of Civil Procedure 56 Summary Judgment procedure violates the Seventh Amendment, there is no question that courts may issue judgment as a matter of law without violating the Seventh Amendment. *Parklane Hosiery Co., Inc. v. Shore*, 439 U.S. 322, 336 (1979); *Fidelity & Deposit Co. v. U.S.*, 187 U.S. 315, 319-21 (1902).

E. Protection for Incontestability Is Not at Issue in this Case.

Petitioner argues that the courts have tainted the Congressional intent to provide means to "quiet title" in trademark ownership. As this Court recognized in *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 198 (1985), the incontestability provisions of the Lanham Act provide a means to prevent certain challenges to ownership of a trademark. *Id.* Congress' intention to "quiet title" in the ownership of a trademark has no relevance to either decision before this Court as neither decision questioned Petitioner's incontestable trademark registration or Petitioner's trademark rights. *See Madacy Entm't*, 421 F.3d at 1080-81; *M2 Communications*, 149 Fed.Appx. at 613-14.

Rather, the cases before the Ninth Circuit involved the second element of trademark infringement claims. Both 15 U.S.C. §§ 1114 and 1125(a) require trademark owners to establish ownership of a valid trademark (whether by registration under § 1114, or by use in commerce under § 1125), and a likelihood of confusion. *See KP Permanent Make*-Up, 543 U.S. at 117. As the Ninth Circuit's decisions establish, Petitioner failed to establish this second element. *See Madacy Entm't*, 421 F.3d at 1085; *M2 Communications*, 149 Fed.Appx. at 614.

Petitioner argues that "Congress could not have imagined the 'likelihood of confusion' tests to be as pliable as they have become in those Circuits that have applied the 'noncompetitive goods multifactored tests' to cases involving competing goods." (Petition at 24.) Congress not only imagined the use of these "pliant" tests, it *approved* such use. As the legislative history for the

1988 amendment to 15 U.S.C. § 1125(a) establishes, the amendment merely codified "the interpretation it has been given by the courts." S. Rep. No. 100-515, at 40 (1988) *reprinted in* 1988 U.S.C.C.A.N. 5577, 5603; *see also Two Pesos*, 505 U.S. at 783-84 (Stevens, J., concurring).

The essential flaw in Petitioner's argument is that unlike federal copyright or patent law, trademark law does not create a monopoly. *See Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 33-34 (2003). Rather, trademark law protects against consumer confusion. *Id.* The likelihood of confusion factors are simply categories of evidence which are relevant in determining whether there exists the likelihood of confusion. *See, e.g., Brookfield*, 174 F.3d at 1054. Petitioner's argument at its core is simply that the lower courts were mistaken in their view regarding the competitiveness of the parties and whether consumers are likely to be confused. Here, the undisputed evidence established that confusion was not likely. *M2 Communications*, 149 Fed.Appx. at 614.[11]

F. The Unpublished *M2 Software, Inc. v. Viacom, Inc.* Decision Has No Binding Effect.

Petitioner asserts that the panels in the *Madacy Entm't* and *M2 Communications* cases were bound by the decision in the unpublished Memorandum decision in *M2 Software, Inc. v. Viacom, Inc.*, 30 Fed.Appx. 710 (9th Cir.

[11] Moreover, because the likelihood of confusion analysis is necessarily a fact-specific test, there is no applicability to the arguments in the Petition beyond this case, and the courts closest to the facts at issue have already found that there is no evidence to support a finding of likely confusion.

Jan. 30, 2002), *reh'g en banc denied* (9th Cir. Apr. 22, 2002).[12]

The *Viacom* decision, like the *M2 Communications* decision, is an unpublished memorandum decision. It is not binding precedent. Ninth Circuit Rule 36-3.[13] In any case, a review of each of the panel decisions shows that they are consistent. The Ninth Circuit in *Viacom* merely found that it was error for the District Court to exclude Petitioner's music industry products from the likelihood of confusion analysis. *Viacom, Inc.*, 30 Fed.Appx. at 712. In *Madacy Entm't* and *M2 Communications*, the panel considered these products. *Madacy*, 421 F.3d at 1077; *M2 Communications*, 149 Fed.Appx. at 619. The *Madacy* and *M2 Communications* decisions merely reflect the fact that the likelihood of confusion analysis is case specific and depends on the commercial activities of each party in each case.

G. The Ninth Circuit Reviewed and Rejected All of Petitioner's Claims, Including Its Claim for Trade Name Infringement Under 15 U.S.C. § 1125(a).

Petitioner claims that the Ninth Circuit neglected to review Petitioner's claims for trade name infringement. On the contrary, the Ninth Circuit considered all of Petitioner's

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[12] A copy of this decision is attached to Petitioner's Notice of Lodging dated January 30, 2006.

[13] This issue certainly does not merit consideration by this Court. Conflicts between panels within the same circuit "are better resolved by the court of appeals itself, sitting en banc." MOORE'S FEDERAL PRACTICE § 510.21[2] at 510-15. Here, the Court of Appeals already denied Petitioner's request for rehearing en banc.

claims: "Plaintiff M2 Software appeals the district court's grant of summary judgment to M2 Communications on all of M2 Software's claims under state and federal trademark and unfair competition law." *M2 Communications*, 149 Fed.Appx. at 613. The District Court, in turn, granted summary judgment to M2 Communications on all of Petitioner's claims, including its claims for trade name infringement. *M2 Communications*, 281 F. Supp. 2d at 1169 ("Both parties agree that Plaintiff's trademark infringement, trade name infringement and unfair competition claims turn on the same likelihood of confusion analysis.").[14] The Ninth Circuit and the District Court agreed that there was no genuine issue of material fact as to the likelihood of confusion.

H. Jeff Moseley and Gaylord Entertainment, Listed as Respondents in the Petition, Were Dismissed for Lack of Jurisdiction, and Are Not Properly Before the Court.

Petitioner lists Jeff Moseley (and Gaylord Entertainment) as Respondents. (Petition at ii.) However, Mr. Moseley and Gaylord Entertainment were dismissed for lack of jurisdiction, *see M2 Communications*, 149 Fed.Appx. at 615, and Petitioner has not sought review of that decision. *See* Supreme Court Rule 14.1(a) ("Only the questions set out in the petition, or fairly included therein, will be considered by the Court.").

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[14] Indeed, Petitioner's trade name infringement claim is encompassed in its 15 U.S.C. § 1125(a) claim. *Accuride Int'l, Inc. v. Accuride Corp.*, 871 F.2d 1531, 1534 (9th Cir. 1989) ("Trade names cannot be registered and are therefore not protected under 15 U.S.C. § 1114 . . . analogous actions for trade name infringement can be brought under section 43(a).").

III. CONCLUSION

For the foregoing reasons, the petition for certiorari should be denied.

Respectfully submitted,

LARRY W. MCFARLAND*
DAVID K. CAPLAN
KEATS MCFARLAND & WILSON LLP
9720 Wilshire Boulevard
Penthouse Suite
Beverly Hills, CA 90212
Tel. (310) 248-3830

*Counsel of Record

Attorneys for Respondents M2 Communications, L.L.C. and Jeff Moseley

APPENDIX A

76 Fed.Appx. 123

United States Court of Appeals, Ninth Circuit.
M2 SOFTWARE INC., a Delaware corporation,
Plaintiff-Appellant,
v.
M2 COMMUNICATIONS, L.L.C , a limited liability company, et al.,
Defendants-Appellees.
No. 02-57028.
D.C. No. CV-02-01588-AHM.

Argued and Submitted July 16, 2003.
Decided Aug. 13, 2003.

Appeal from the United States District Court for the Central District of California, A. Howard Matz, District Judge, Presiding.

Before NOONAN, KLEINFELD, and WARDLAW, Circuit Judges.

MEMORANDUM*

M2 Software argues that the district court erred in determining the size of its business operations. However, we must accept the district court's findings regarding the scale of M2 Software's business unless we have a "definite and firm conviction that a mistake has been committed,"[1] and we do not.

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* This disposition is not appropriate for publication and may not be cited to or by the courts of this circuit except as provided by Ninth Circuit Rule 36-3.

[1] *See Gonzalez-Caballero v. Mena*, 251 F.3d 789, 792 (9th Cir.2001).

M2 Software also argues that the district court erred by failing to consider likelihood of confusion as to "source" and focused only on likelihood of confusion as to goods. However, the district court employed the analysis from *AMF v. Sleekcraft Boats*[2] in evaluating M2 Software's assertions regarding likelihood of confusion. In so doing, the district court did evaluate whether a likelihood of confusion as to source exists in the minds of consumers.[3]

M2 Software argues that the district court erred by failing to consider the doctrine of reverse confusion. However, M2 Software's mere use of the term "vice versa" was insufficient to raise this issue properly to the district court. As neither M2 Software's first amended complaint nor motion clearly raised this issue to the district court, we decline to consider it on appeal.[4]

Finally, M2 Software argues that the district court improperly applied the *Sleekcraft* factors in evaluating whether M2 Communications's use of the M2 mark would create a likelihood of confusion. We disagree. Although the district court erred in considering M2 Software's sales and

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[2] 599 F.2d 341 (9th Cir.1979).

[3] *See KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061, 1072-73 (9th Cir.2003) (citations omitted) ("Likelihood of confusion exists when consumers viewing the mark would probably assume that the goods it represents are associated with the *source of a different product identified by a similar mark*. . . . The Ninth Circuit generally relies on an eight-factor test [*Sleekcraft*] in determining whether a likelihood of confusion exists.") (emphasis added).

[4] *Cf. Slaven v. Am. Trading Transp. Co., Inc.*, 146 F.3d 1066, 1069 (9th Cir.1998) (stating it is "well-established that an appellate court will not consider issues that were not properly raised before the district court").

advertising in determining the "strength" of its mark,[5] we find that the district court's application of the *Sleekcraft* factors as a whole did not amount to an abuse of discretion. Further, because M2 Software's federal registration and the incontestability of that registration go to the ownership of the M2 mark, they do not bear on the M2 mark's strength and do not affect the likelihood of confusion analysis.[6]

M2 Software's arguments raised in the questions presented or its reply brief but not argued in the opening brief are waived.[7]

The appeal as to Gaylord is moot, and must therefore be dismissed, because the district court dismissed the case against Gaylord for lack of jurisdiction.

AFFIRMED in part and DISMISSED in part.

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[5] *See Dreamwerks Prod. Group, Inc. v. SKG Studio*, 142 F.3d 1127, 1130 (9th Cir.1998) (arbitrary and fanciful marks are inherently "strong").

[6] *KP Permanent Make-Up*, 328 F.3d at 1067. *Miss World (UK), Ltd. v. Mrs. America Pageants, Inc.*, 856 F.2d 1445, 1448-49 (9th Cir.1988); *Oreck Corp. v. U.S. Floor Systems, Inc.*, 803 F.2d 166, 171 (5th Cir.1986) ("Incontestable status does not make a weak mark strong."). *See also* McCarthy on Trademarks § 32.154.

[7] *See Resorts Int'l, Inc. v. Lowenschuss (In re Lowenschuss)*, 67 F.3d 1394, 1402 (9th Cir.1995) (deeming as waived inadequately raised issues). *See also* Fed. R. App. P. 28.

(3)

SUPREME COURT, U.S.
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No. 05-967

In the Supreme Court of the United States

M2 SOFTWARE, INC.,
Petitioner,

v.

MADACY ENTERTAINMENT, *et al,*
Respondents

M2 SOFTWARE, INC.,
Petitioner,

v.

M2 COMMUNICATIONS, LLC, *et al,*
Respondents

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

REPLY BRIEF OF PETITIONER

MARK L. PETTINARI
Counsel of Record
LAW OFFICES OF MARK L. PETTINARI
Stock Exchange Tower
155 Sansome Street, Suite 400
San Francisco, CA 94104
Tel (415) 240-4200
Attorney for Petitioner
M2 SOFTWARE, INC.

QUESTION PRESENTED

Whether this Court should resolve the conflict both within and between circuits – *expressly acknowledged by this Court in a 2003 footnote, but deepened since then by the Ninth Circuit below* – as to whether federal trademark protection extends to protection against a junior use of a senior registrant's trademark that is likely to cause the many forms of confusion of source, sponsorship, approval, affiliation, connection, or other association, *or whether federal trademark protection extends only to protection against a likelihood of direct purchaser mistake as to source.*

RULE 29.6 STATEMENT

Petitioner is M2 Software, Inc. (hereinafter "M2"). Petitioner has no parent corporation and there is no publicly held company owning 10% or more of Petitioner's stock.

Respondents are Madacy Entertainment, Handleman Company, and SFX Entertainment (now Clear Channel Entertainment) [U.S.C.A. No. 03-55957] and M2 Communications, LLC, Gaylord Entertainment, and Jeff Moseley [U.S.C. A. No. 03-56602].

Pursuant to Supreme Court Rule 12.4, a single Petition for Certiorari was submitted for the above judgments on the grounds that the judgments are sought to be reviewed on a writ of certiorari to the same court and involve identical or closely related questions.

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In its Petition, M2 Software, Inc. ("M2") identifies at least four areas of conflict on the question presented of whether federal trademark protection extends to protection against a junior use of a senior registrant's trademark that is likely to cause any of the many forms of confusion of source, sponsorship, approval, connection, or other association: (i) conflict with *M2 Software, Inc. v. Viacom, Inc.*, 30 Fed.Appx. 710 (9th Cir. 2002), *reh'g en banc denied* (9th Cir. Apr. 22, 2002) ("*Viacom*") involving the same trademark; (ii) conflict with Sections 32(a) and 43(a) of the Lanham Act; (iii) conflict between the circuits; and (iv) conflict between the Ninth Circuit and this Court's decision in *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 31 n.5 (2003).

In their Opposition, Respondents M2 Communications, LLC and Jeff Moseley (collectively "Respondent" or "M2Comm")[1] primarily address the *Viacom* conflict, ignore the statutory and circuit conflicts, and entirely avoid any discussion of the *Dastar* conflict. Instead, M2Comm's Opposition is limited to conclusory statements. For the reasons set forth in the Petition, certiorari is warranted on the important question presented.

I. Respondent Relies on a Flawed Reading of the Cases to Downplay the Importance of the *Viacom* Decision and the Split in the Circuits

M2Comm argues that no conflict is presented between the 2002 *Viacom* decision and the 2005 decisions of *M2 Software, Inc. v. Madacy Entertainment*, 421 F.3d

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[1] Unlike the other Respondents, Respondent Gaylord Entertainment has filed neither a waiver nor a brief in opposition, thereby not disputing the jurisdiction error raised. This is an "open and shut" issue raised in the summary reversal section of the Petition [Pet. 28 n. 44], identifying the "express aiming" allegations of the complaint. These allegations should have been sufficient to establish a *prima facie* case for jurisdiction at the pre-discovery stage of the case. *See Calder v. Jones*, 465 U.S. 783, 790 (1984); *Harris Rutsky & Co. v. Bell & Clements Ltd.*, 328 F.3d 1122, 1128 (9th Cir. 2003). *See also*, ER92-3, 50; ER39-4; ER19-2, 28 (additional pre-discovery evidence of California contacts).

1073 (9th Cir. 2005), *reh'g en banc denied* (9th Cir. Nov. 2, 2005) ("*Madacy*") and *M2 Software, Inc. v. M2 Communications, LLC*, 149 Fed.Appx. 612 (9th Cir. 2005), *reh'g en banc denied* (9th Cir. Nov. 1, 2005) ("*M2 Communications*") because "a review of the panel decisions shows that they are consistent." Opp. 15. M2Comm relies on a mischaracterization of the plain language of the *Viacom* decision to support its position. Opp. 15.

In 2002, the Ninth Circuit studied the same **M2** music industry trademark and trade name now at issue in *Madacy* and *M2 Communications*, at approximately the same time as the lower courts here. The Ninth Circuit, citing *Interstellar Starship Servs., Ltd. v. Epix, Inc.*, 184 F.3d 1107, 1109 (9th Cir. 1999), cert. denied, 528 U.S. 1155 (2000), concluded:

> "* * * The evidence, viewed in the light most favorable to M2 Software [citation omitted] supports an inference that Viacom's M2: Music Television and use of the M2 mark in connection with Intel's Intercast Technology *created a likelihood of confusion* with M2 Software's music-industry products."

Viacom, 30 Fed.Appx. at 712 (emphasis added). This reference to related types of goods strongly suggests that the *Viacom* majority panel examined the broader forms of confusion of "affiliation, connection, or association * * * sponsorship, or approval" that is required.[2] 15 U.S.C. § 1125(a)(1).

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[2] The sole dissenting judge focused on the fact that the particular media format of CD-Roms had not been used by M2 prior to Viacom's 1996 launch. *Viacom*, 30 Fed.Appx. at 712. Yet, CD-Rom drives were not available on most computers until the mid-1990's, and the dissent makes sense only if one disregards "related goods" confusion. To make the same point, the lower court in the action had cited *Zazu Designs v. L'Oreal S.A.*, 979 F.2d 499 (7th Cir. 1992), a case referenced by McCarthy as a "***breathtakingly erroneous decision outside the mainstream of trademark law.***" *4 McCarthy on Trademarks and Unfair Competition* ("*McCarthy*") § 24:6 at 24-16. *See M2 Software, Inc. v. Viacom, Inc.*, 119 F.Supp.2d 1061, 1065 (C.D. Cal 2000), *rev'd*, 30 Fed.Appx. 710 (9th Cir. 2002) (citing *Zazu*).

Moreover, the cases cited by the *Viacom* majority were cases from the "related goods" faction of the split, including *Brookfield Communications, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036 (9th Cir. 1999); *Dreamwerks Prod. Group Inc. v. SKG Studio*, 142 F.3d 1127 (9th Cir. 1998); and *Interstellar Starship Servs., Ltd. v. Epix, Inc.*, 184 F.3d 1107 (9th Cir.1999), cert. denied, 528 U.S. 1155 (2000).

In contrast, the *Madacy* and *M2 Communications* decisions did not engage in the *de novo* review that is required on appeal from summary judgment, with the *Madacy* court concluding only that "the district court did not err" in its weighing of the factors. *Madacy*, 421 F.3d at 1085 [App. 19a]. *See Price v. Vincent*, 538 U.S. 634, 638 (2003) (error where the Sixth Circuit correctly cited, but did not apply, the proper standard of review).[3] *Madacy* cited virtually the same cases as did the *Viacom* panel for nearly every proposition. However, when it came to describing the "likelihood of confusion" standard, the *Madacy* panel relied on the more restrictive focus of "purchaser mistake" (*i.e.*, the "dealing with" language) and cited only cases representing the minority view that is discussed in the Petition. *See Madacy*, 421 F.3d at 1079, 1089 [App. 9a, 26a], and *M2 Communications*, 149 Fed.Appx. at 614 [App. 32a], citing *Surfvivor Media, Inc. v. Survivor Prods.*, 406 F.3d 625, 630 (9th Cir. 2005); *Playmakers LLC v. ESPN, Inc.*, 376 F.3d 894, 897 (9th Cir. 2004) (Pregerson, J.). [Pet. 11]. Prior to these decisions being rendered, the District Court would have been forced to go to the like-minded faction of the

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[3] *De novo* review should also have been applied to the jury instructions [App. 25a], which concerned a misstatement of the elements that must be proved at trial. *Snake River Valley Elec. Ass'n v. PacifiCorp*, 357 F.3d 1042, 1052 n.11 (9th Cir. 2004). A *de novo* standard of review should have been applied, rather than simply recited, when addressing the personal jurisdiction dismissals of respondents Moseley and Gaylord. [App. 33a].

Second Circuit to find support for the "purchaser mistake" flavor of analysis that is at issue here.[4]

II. Respondent Relies on the Fallacy of "Equivocation" to Deny that a Conflict Exists

"Equivocation" is a logical fallacy whereby ambiguous definitions of the same word or phrase are used to support any desired result. M2Comm employs this faulty logic to support its incorrect contention that no conflict exists between the circuits. Opp. 6. M2Comm's position is based on a subtle deception: While some courts in the majority circuits have used the phrase "source confusion" as shorthand to reference the idea that consumers may be confused *about* a source – including the sponsorship, affiliation, connection, approval, or association – the minority factions have interpreted this same language to mean confusion that must exist *as to* a source, *i.e.*, as through a mistaken purchase.

M2Comm's contention that no conflict exists contradicts this Court's own acknowledgment of the same conflict in 2003. *Dastar*, 539 U.S. at 31 n. 5 (2003). The *Dastar* Court found the conflict to be "seemingly resolved" by the 1988 Amendments to the Lanham Act. [*Id.*] As the Petition demonstrates, this conflict has persisted and is deepening. The minority circuits rely on an interpretation of "source confusion" that has not had support in the statute since before the 1962 Amendments to the Lanham Act, when Congress *deleted* the language that defined infringement under 15 U.S.C. § 1114(1)(a) as requiring likelihood of confusion of "*purchasers as to the source of origin of such goods or services.*" *See Payless Shoesource, Inc. v. Reebok Int'l Ltd.*, 998 F.2d 985, 989 (Fed.Cir.1993). This

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[4] If, as M2Comm contends [Opp. 6], there is no conflict in the circuits, one would expect to see an equal number of citations to decisions of the other circuits (and most notably the Federal Circuit) where the District Court journeyed outside of its home circuit. In fact, *all* of the support for the District Court's "purchaser mistake" analysis came directly from the Second Circuit. *See* App. 53a, 56a, 76a, 77a.

equivocation of "source confusion" allows for vastly different outcomes under the same recited standards.

The Opposition, citing to this Court's recent precedent, illustrates precisely how the rift is fueled and continues to expand. Just one year after this Court found the issue "seemingly" resolved in *Dastar*, the *KP Permanent Make-up* decision in 2004 did not reference the words "sponsorship, affiliation, or connection" in its definition of "likelihood of confusion." *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004) (defining infringement as likelihood of purchaser confusion "*about* the *origin* of the goods or services") (emphasis added). Presumably, this Court used the broader phrase "*about* the origin" rather than "*as to* the origin" to encompass confusion of source, sponsorship, affiliation, connection, association, or approval. *See Dastar*, 539 U.S. at 31 n. 5. The Respondent's quotation of this same language as a definitive statement of the "confusion" standard demonstrates [Opp. 6] that there is ample basis for judicial variance on this very crucial trademark concept. Presented with two apparently contradicting definitions of the same essential concept in recent Supreme Court decisions, the lower courts are left without consistent guidance as to the actual scope of "likelihood of confusion" that is contemplated by the statute. This is precisely the type of question that warrants certiorari.[5] [6]

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[5] The Ninth Circuit studied whether the general public "thought that M2 Software was the *source* of Madacy CDs" and whether music industry members "believed that Madacy was the *source* of M2 Software's goods." *Madacy*, 412 F.3d at 1080 [App. at 9a] (emphasis added). By ignoring "affiliation confusion" between M2 and the new identically-named record label, the analysis focused on the small segment of directly competing CD products, rather than the larger and more relevant music industry infrastructure segment of M2's business. *Id.* at 1080-1085 [App. 11a-19a]. Pet. 3 n. 1.

III. Respondent Relies on an Unreasonable Interpretation of the Phrase "Dealing With" that would Render Statutory Language Superfluous

M2Comm argues that M2 agreed to the use of the "dealing with" language in *Madacy*. Opp. 4 n. 4. The plain language of the *Madacy* opinion shows this to be false. [App. 26a]. While M2's proposed instruction cited *Dreamwerks*, it had not referred to the "dealing with" language that was taken out-of-context by the District Court following the parties' written objections. [App. 26a]. *See* ER184-53, 55, ER200-29, 39, 40, 72, 73-77. *Dreamwerks* is a case that falls on the majority side of the split in the circuits. *Dreamwerks* is more similar to Federal Circuit law and the view of the majority of the circuits. [Pet. 13-14]. M2Comm's suggestion that *Dreamwerks* supports a "dealing with" standard is based on an erroneous reading of the decision. In *Dreamwerks*, the court actually clarified its "dealing with" language in the subsequent sentence. *Dreamwerks*, 142 F.3d at 1130 ("more specifically," confusion is whether services are "*sponsored by*" the junior user). Unlike *Madacy*, the *Dreamwerks* court extensively addressed sponsorship, affiliation, and connection confusion.[7]

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[6] M2Comm contends that as a trademark case, this case is somehow too fact-intensive for Supreme Court review. Opp. 5 ("as with *any* case considering whether there is a likelihood of confusion." (emphasis added)). Using M2Comm's logic, this Court would never review any trademark case. In fact, this case is one of the *least* fact-bound trademark cases likely to come before this Court, and presents an ideal opportunity for review. *See* Pet. 6.

[7] *See Dreamwerks*, 142 F.3d at 1130 n. 5 (whether "DreamWorks SKG *is sponsoring* the Star Trek conventions"); *Id.*, at 1131 (whether one party was "*an ancillary division* of the same company"); *Id.* (whether consumers are likely to "*associate*" the companies); *Id.*, at 1132 n.10 (whether consumers may "assume that DreamWorks has *spun off* a Star Trek marketing division); *Id.*, at 1132 (emphasizing diversity of modern entertainment companies) (emphasis added).

M2Comm further argues that the "*dealing with*" standard, as a matter of linguistics, implicitly references confusion of sponsorship or association. Opp. 4 n. 4. In *Madacy*, the jury – whose only exposure to trademark law was via the District Court's limited instruction – was asked a single special verdict question, i.e., whether persons in the general public were likely to "*mistakenly believe* that they were *dealing with*" the other trademark user. Pet. 18 n. 31. The Ninth Circuit affirmed the restrictive language in a published decision – language that contradicts the statute itself, and language that the Fifth Circuit would describe as just a "rather silly mistake." [Pet. 18 n. 31].[8]

If Congress had intended the standard to be restricted to persons who "mistakenly believe that they were dealing with" someone, it would have stopped at the word "mistake." Instead, the statute plainly prohibits, in the disjunctive, any use that is likely "to cause confusion, *or* to cause mistake, *or* to deceive." 15 U.S.C. §§ 1114(1) and 1125 (App. at 87a-88a) (emphasis added).[9] *See* Pet. 18 n. 31. The plain meaning and congruity of the statutes is ignored by the *Madacy* decision, which is already having a national impact. At least one leading jury instruction treatise has recently included the erroneous jury instruction affirmed in *Madacy* as the authoritative language for determining likelihood of confusion. *See Federal Jury Practice and Instructions*, 3A Fed. Jury Prac. &

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[8] If the *Madacy* defendants truly believed that "dealing with" encompassed confusion of sponsorship or affiliation, there would have been no need to contest M2's proposed model instructions [ER184-53; ER184-55], and no need to misrepresent to the jury at least four (4) times in closing argument that M2's rights were limited to the goods identified in the registration. ER294-15; ER294-20, ER294-23. Cf. *McCarthy* § 24:6 at 24-14. This was central to the verdict, as the sole jury question that was presented concerned the registration language. *See* ER207-1.

[9] The language of a statute must be interpreted in a manner that does not render other provisions superfluous. *Greenpeace, Inc. v. Waste Technologies Indus.*, 9 F.3d 1174, 1179 (6th Cir. 1993).

Instr. § 159.31 (5th ed.), 2006 Supplemental Service (presenting the "dealing with" language of *Madacy* as a definitive jury instruction).[10]

IV. As to Summary Reversal Under Rule 16.1, Respondent Misapprehends the Ninth Circuit's Clear Error of Allowing (without a Jury Trial) a Junior Use of an *Identical* Trademark for *Exactly* the Same Goods of an Incontestable Registration

M2Comm misapprehends the clear error committed below that, in the alternative, justifies summary reversal under Rule 16.1. Opp. 9-10. The Ninth Circuit denied protection for an incontestable, federally-registered, fanciful trademark adopted in *identical* form by the infringer for *exactly* the same goods specified in the registration. Pet. 23. This is reversible error. That this error was made through the improper application of a "noncompetitive goods multi-factored test" – the analysis that M2Comm focuses on in its opposition – simply provides the explanation for the error committed.[11]

The multi-factored tests were originally designed for non-competitive goods. *See AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348 (9th Cir. 1979) ("*Sleekcraft*")

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[10] Intellectual property commentators have gone on record to question the *Madacy* logic and suggest that the decision creates a loophole in the Lanham Act. As one commentator has opined: "It seems to me that this is an unjustified narrowing of the scope of a reverse confusion claim. . .if you're representing a defendant accused of creating reverse confusion, keep this [*Madacy*] case in mind." http:// secondarymeaning.blogspot.com/2005/09/9th-circuit-reverse-confusion-decision.html.

[11] M2Comm argues that M2 did not present the "quantum of evidence" required to show likely confusion [Opp. 12]. To avoid violation of M2's Seventh Amendment right to a jury trial, the correct standard on summary judgment should have been only whether there was any genuine issue of material fact that needed to be resolved. M2Comm acknowledges that "[b]oth the District Court *and* the Ninth Circuit" found that M2 had "*failed to establish* that confusion is likely" [Opp. 9], which disregarded M2's substantial evidence and is more properly a legal conclusion made only on review *after* a trial on the merits. [Pet. 21].

(factors "*added* to the calculus" for noncompeting goods) (emphasis added). Development of such tests were a judicial necessity once the standard of infringement had expanded with adoption of the Lanham Act in 1946. Prior to the Act, a junior use would be infringing if a confusingly similar mark was used for goods of the "same descriptive properties" of the senior registrant. *McCarthy* § 24:63. This restrictive standard was repealed by the 1946 Lanham Act, which "gave rise to the modern 'related goods' rule." *McCarthy* § 24:65. This change in rule required that a "multi-factor" test be designed to evaluate related goods, but the additional factors were never intended to serve as a new loophole for infringement by goods that would have earlier fallen under "same descriptive properties" standard.

Congress declared that incontestability was conclusive evidence of "the registrant's exclusive right to use the registered mark." 15 U.S.C. § 1115(b). In other words, the senior ~~holder of~~ an incontestable trademark has the right to use his mark "on the goods or services specified in the affidavit" to the exclusion of anyone else. *Id.*[12] The ability to use a mark to the exclusion of others is the Congressional recognition of the substantial intangible value of a registered trademark. No matter

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[12] The use of multi-factored tests for competing goods can only be reconciled with the exclusivity rights of the Lanham Act's incontestable provisions if (as is done in the only other circuits to use such tests on competing goods) the "similarity of marks" factor is "weigh[ed] *heavily*" in the analysis where an identical mark is at issue. *See In re Majestic Distilling Co., Inc.*, 315 F.3d 1311, 1315 (Fed. Cir. 2003) (out of a universe of possibilities, adoption of an identical mark "weighs heavily against the applicant."); *In re Shell Oil Co.*, 992 F.2d 1204, 1206 (Fed.Cir.1993); *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460, 463 (3d Cir. 1983) ("Where the names are identical... the names in themselves are evidence of likelihood of confusion"); *A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 237 F.3d 198, 214 (3d Cir. 2000) (using factor test only "when the marks are not identical"). The Ninth Circuit below weighed the similarity of marks only "slightly" even though the marks are identical. [App. 12a, 13a].

how many years or millions of dollars are invested by a company in its registered trademark, the trademark's value will be severely diminished, if not worthless, when anybody who chooses to use that mark on identical or related goods and services may do so with impunity. The Ninth Circuit's flawed weighing of secondary factors to deny an incontestable trademark owner its rights to the exclusive use of its mark in its registered field of use grossly inhibits a new trademark owner from ever expanding its mark to its true commercial potential.

A grant of certiorari is necessary to resolve with clarity the central question in the Petition, but should certiorari not be granted, summary reversal is required to prevent the new judge-created "loophole" from being used in future decisions to destroy the valuable incontestable trademark rights of registrants.

Respectfully submitted,

Mark L. Pettinari
Counsel of Record
LAW OFFICES OF MARK L. PETTINARI
Stock Exchange Tower
155 Sansome Street, Suite 400
San Francisco, CA 94104
Tel (415) 240-4200
Attorney for Petitioner
M2 SOFTWARE, INC.

(2)

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PETITION FOR REHEARING

MARK L. PETTINARI
Counsel of Record
LAW OFFICES OF MARK L. PETTINARI
Stock Exchange Tower
155 Sansome Street, Suite 400
San Francisco, CA 94104
Tel (415) 240-4200
Attorney for Petitioner
M2 SOFTWARE, INC.

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Pursuant to Supreme Court Rule 44, Petitioner M2 Software, Inc. ("M2") submits this Petition for Rehearing of M2's Petition For Certiorari ("M2 Petition"). The M2 Petition was filed on January 30, 2006 ("M2 Petition"). Respondents M2 Communications, L.L.C. and Jeffory Mosely filed a response on March 6, 2006. M2 submitted the Reply of Petitioner ("M2 Reply") on March 13, 2006. This Court denied the M2 Petition by its Order of April 17, 2006. As set forth below, substantial grounds under the traditional criteria present compelling reasons for a rehearing by this Court. Supreme Court Rule 44.2.

I. BACKGROUND

The cases of the M2 Petition concern the decision of a single district court judge that without a trial severely limited the valuable and exclusive federal trademark rights of a 15-year-old corporation. A decision severely diminishing 15 years of trademark goodwill in a given industry can be an effective death sentence to any company. The present case concerns a judicial breakdown affecting an American business that the federal trademark laws are designed to protect.

M2 did everything right under the United States trademark laws, registering its unique and distinctive **M2** mark with the United States Patent and Trademark Office, using the **M2** mark consistently in every part of its music industry business as trademark, service mark, trade name, and corporate name, and protecting the trademark as the law required. M2 had good reason to believe that it would be able to freely expand under the **M2** mark, since it had invented its own new and distinctive trademark – a mark that had never been used by any company in any related field dating back to the very inception of the Principal Register of the United States Patent and Trademark Office.

The cases of the M2 Petition concern the launch and rebranding of existing divisions of music industry companies with close corporate ties to Viacom, a prior

defendant in a related case in which M2 prevailed.[1] *M2 Software, Inc. v. Viacom, Inc.*, 30 Fed.Appx. 710 (9th Cir. 2002), *reh'g en banc denied* (9th Cir. Apr. 22, 2002) ("*Viacom*"). The new parties adopted the identical **M2** mark in the midst of the *Viacom* litigation, under circumstances that indicate a bad faith motive designed to bolster Viacom's defense in that case. In particular, on January 27, 1999, the district court in the *Viacom* case ruled that M2 was "likely to prevail on the merits of its trademark claim," finding Viacom's aggressive claim of a "crowded field" to be "unsupported by the record" because Viacom had been unable to identify a single other use of the **M2** mark in any related field.[2] Just weeks thereafter in 1999, the two new ventures that are subject of the M2 Petition were launched or rebranded in the music industry using the same distinctive **M2** mark out of a universe of marks.[3]

Viacom lost in its attempt to take over the intellectual property of M2. The lower courts have now allowed Viacom's partners to proceed with exactly the same conduct from which Viacom was judicially barred

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[1] The evidence of this relationship is undisputed. SEC records show that one new defendant owned $613 million of Viacom equity out of total stockholder equity of $727 million -- a full 84% of the company was made up of Viacom stock. [M2COMM ER25-28/30]. This defendant also shared substantial production facilities, various employees, a common corporate director, and the same trademark attorneys with Viacom. [M2COMM ER50-14/15, ER67-6/7].

[2] *M2 Software, Inc. v. Viacom, Inc.* (C.D. Cal. 98-CV-8734, Docket No. 61, January 27, 1999), Order Denying Preliminary Injunction, at 8, 18. A preliminary injunction was denied as untimely.

[3] It is one thing to infringe through an entirely new launch. It is quite another to launch a trademark to instant widespread dispersion by attaching the senior user's trademark (that was already in litigation with related parties) to an existing product line (*Madacy*) or to a new label formed by transferring an already-successful musical group (*M2 Communications*). *See Blue Bell, Inc. v. Farah Mfg. Co., Inc.*, 508 F.2d 1260, 1267 (5th Cir. 1975) ("In the instant case Blue Bell's attachment of a secondary label to an older line of goods manifests a bad faith attempt to reserve a mark.")

in 2004.[4] A rehearing is necessary, in part, to restore order to the chaos and ambiguity that is demonstrated through these diametrically-opposed decisions on exactly the same issue and exactly the same trademark.

II. DISCUSSION

It is undisputed that M2 started its life as a record label.[5] It is also undisputed that, in this modern digital age, virtually every record label that manufactures CDs also manufactures other media such as CD-ROMs or DVDs containing interactive multimedia applications featuring musical content. Where single manufacturers typically produce both types of goods, the use of the same trademark on such products is likely to confuse the public that the producers are the same or related companies. *See Recot, Inc. v. Becton*, 214 F.3d 1322, 1328 (Fed. Cir. 2000) (dual manufacture is "extremely pertinent to the question of whether... a consumer would likely think that [the trademark owner] produced, sponsored, or licensed its mark for" the junior use). For example, a brand marketed as "**ARISTA** Interactive" can be nothing other than the interactive segment of **ARISTA** Records; a brand marketed as "**MOTOWN** Interactive" can be none other than the interactive segment of **MOTOWN** Records, and so forth. In the other direction, a company launching as "**NAPSTER** Records" and producing musical content on CDs and other physical media is certain to be perceived as related to the original **NAPSTER** digital enterprise.

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[4] In 2004, a permanent injunction issued against Viacom. *M2 Software, Inc. v. Viacom, Inc.* (C.D. Cal. 98-CV-8734, Docket No. 344, September 7, 2004) ("Defendants are permanently enjoined from using the specific marks M2 or M2: Music Television to identify any of Defendants programming services or to identify any of Defendants interactive multimedia products.")

[5] *See* M2COMM ER151-5; ER151-7; ER145-69; ER145-71; ER145-77; MADACY ER49-96; ER49-98/99; ER291-15/17.

In addition to its interactive music content segment, M2's primary business also includes the production of interactive software applications and administration services for record labels and music publishers. This "music industry infrastructure" segment has generated revenues for M2 since its inception in the millions of dollars under the **M2** brand. The **M2** Record Label Management System, for example, has helped to administer many well-known record labels, including several divisions of Sony BMG.[6] M2's music industry infrastructure segment is directly complementary to a record label business. Complementary products are highly vulnerable to confusion. *Communications Satellite Corp. v. Comcet, Inc.*, 429 F.2d 1245, 1253 (4th Cir. 1970).[7]

It is undisputed that interactive musical products are naturally commercially related to traditional physical musical products. The incontestable federal trademark registration owned by M2 includes such products:

> "Computer software featuring business management applications for the film and music industries; and interactive multimedia applications for entertainment, education, and information, in the nature of artists' performances and biographical information from the film and music industries * * * in Class 9 (U.S. Cls. 21, 23, 26, 36 and 38)."

U.S. Reg. 1,931,182. The defendants in the cases of the M2 Petition also produce interactive multimedia applications featuring musical content under the **M2** trade-

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[6] [M2COMM ER78-20/30; ER145-34/35; ER145-70; ER166-88/99; ER166-100/106; ER114-2/3; ER50-2; ER145-90/98; ER145-142/147; ER25-5; MADACY ER292-12/13; ER49-173/174; ER49-258/271; ER49-244/257; ER60(8)-75/78; ER60(9)-79/84].

[7] As in the above examples concerning M2's interactive multimedia content segment, if exactly this type of music industry product were marketed as, for example, **ARISTA** Record Label Management System, it is easy to recognize why the products and services are likely to be perceived as somehow related to, in this example, **ARISTA** Records.

mark that squarely fit within the language of this registration. M2 Communications produces *iWorship* and similar interactive multimedia applications, and Madacy has added the same interactive class of products to its record label registrations at the United States Patent and Trademark Office.[8]

A. "Carving Out" a Market Niche from a Senior Incontestable Federal Trademark Registration that Includes no Restriction as to that Niche is a Business "Property Taking" that is Contrary to Statute and the Public Interest

Ignoring the parties' interactive products, the Ninth Circuit reached its decisions in both cases by focusing on musical genre distinctions between the products themselves. It determined that the *M2 Communications* defendants may "carve out" their use of M2 Software's registered trademark specifically for the "Christian music" niche. *M2 Software, Inc. v. M2 Communications, LLC*, 149 Fed.Appx. 612, 614 (9th Cir. 2005), *reh'g en banc denied* (9th Cir. Nov. 1, 2005) ("*M2 Communications*") (finding "Christian" marketing channel distinguishes the parties). Similarly, it ruled that the *Madacy* defendants may "carve out" their use of M2 Software's registered trademark for an artificial genre of so-called "sports" music that it judicially created.[9] *M2*

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[8] M2COMM ER78-5/7 ("plus bonus CD-ROM"); ER151-71/74; ER69-50; ER151-56; ER151-46 (interactive multimedia applications "jointly developed by M2 Communications, L.L.C. (M2)"); MADACY ER126-15/19; ER61-46/48; ER49-148/149; ER292-49.

[9] There is no such classification as a "sports" musical genre. A song of the "rock" musical genre played on a sports-marketed CD is still a "rock" song, not a "sports" song; a "blues" song may be licensed for a sports-marketed CD while still remaining blues; and a song of the "acid jazz" variety may be licensed for a sports-marketed CD while never leaving the musical genre of "acid jazz." The Ninth Circuit fatally misconstrued this important distinction between musical genres and marketing channels when it allowed the infringer to adopt an identical mark in the same field of the senior registrant. *See Madacy*, 421 F.3d at 1082 n.7.

Software, Inc. v. Madacy Entertainment, 421 F.3d 1073, 1084 (9th Cir. 2005), *reh'g en banc denied* (9th Cir. Nov. 2, 2005) ("*Madacy*") (finding marketing channel factor "weighs heavily").

This "carving out" of substantial federal trademark rights sets a dangerous precedent that ignores the exclusivity provisions of Section 1115(b) and effectively constitutes a "property taking" of M2's senior trademark property rights.[10] *See, e.g., College Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 673 (1999) ("[t]he Lanham Act may well contain provisions that protect constitutionally cognizable property interests – notably, its provisions dealing with infringement of trademarks"); *Bishop v. Equinox International Corp.*, 154 F.3d 1220, 1223 (10th Cir. 1998) (a trademark is a protectable property right). The district court unilaterally transferred M2's expansion value and goodwill to the defendants.[11] The law is that a likelihood of confusion determination "must be resolved . . . on the basis of all normal and usual channels of trade and methods of distribution." *SquirtCo v. Tomy Corp.*, 697 F.2d 1038, 1042 (Fed. Cir. 1983). A decision like that of the Ninth

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[10] The Lanham Act, and the United States Patent and Trademark Office, already have tools in place to protect the public against this type of judicial action. *See* Trademark Manual of Examining Procedure ("TMEP") § 1207.01(a)(iii) ("If the cited registration describes goods or services broadly, and there is no limitation as to the nature, type, channels of trade, or class of purchasers . . . an applicant does not avoid a likelihood of confusion *merely by more narrowly identifying its related goods*.") (emphasis added); 15 U.S.C. §1115(b). The new line of cases simply ignores the statute.

[11] *See, e.g., Kelo v. City of New London, Conn*, ---U.S.---, 125 S.Ct. 2655, *reh'g denied*, 126 S.Ct. 24 (2005). In *Kelo*, Justice O'Conner warned in her dissent that a judicial decision against individual property rights (there, in an eminent domain case) is likely to benefit "those citizens with disproportionate influence and power in the political process, including large corporations . . ." *Id.* at 2676. As in the cases of the M2 Petition, the effect of judicial laxity on property rights is the "tran[s]fer [of] property from those with fewer resources to those with more." *Id.*

Circuit that "locks" trademark owners into current zones of expansion (for example, "Christian" and "non-Christian" trade channels in *M2 Communications*) where no such limitation exists in the registration ignores federal trademark law. *Wella Corp. v. California Concept Corp.*, 558 F.2d 1019 (C.C.P.A. 1977) (reversing Board holding that the parties were "locked into" separate trade channels; no proof of impossibility of use of common trade channels).[12]

B. The Ninth Circuit Improperly Resolved Genuine Issues of Material Fact when it Granted Summary Judgment on the Cases of the M2 Petition

Alarmingly, the district court made the pair of rulings that virtually destroyed the commercial viability of the expansion channels of a growing United States corporation unilaterally and without a trial.[13] The Ninth Circuit affirmed the lower court's decisions by resolving genuine issues of fact on its own.[14]

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[12] The *Madacy* test is flawed because consumers lose the "market signaling" qualities of a trademark. The decisions disregard the interest of the public, which is now required to distinguish between *three* unrelated uses of **M2** in the music industry. Under *Madacy*, any unrelated venture may launch tomorrow, for example, under "**MOTOWN** Sports Music" or "**MOTOWN** Christian Music," provided only that it avoided the specific musical genre of "soul music" of the senior federal registrant. The whole purpose of federal trademark law in protecting the identification of a company's style, image, goodwill and reputation is destroyed.

[13] Summary judgment was granted in full in *M2 Communications*. Partial summary judgment was granted in *Madacy*, but there was no effective jury trial. The only narrow portion of the case at trial excluded the very industry in which both parties traveled – effectively staging what was incredibly the first-ever federal trademark trial in which a district court elected to exclude the parties' trade. *Madacy*, 421 F.3d at 1076.

[14] The Ninth Circuit found that the district court "did not err" on the factors of proximity, intent, and expansion, and that it "erred" on the marketing channel factor. *Madacy*, at 1082-1085. The Ninth Circuit similarly determined that the lower court's findings on similarity of marks and sophistication of purchasers were "not erroneous." *Id.*

Summary judgment is only proper where "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(c). To avoid summary judgment, M2 was required only to establish a genuine issue of material fact concerning whether the defendants were "using a mark confusingly similar" to a valid and protectable mark. *Interstellar Starship Servs., Ltd. v. Epix, Inc.*, 184 F.3d 1107, 1109-1110 (9th Cir.1999), cert. denied, 528 U.S. 1155 (2000). "Because of the intensely factual nature of trademark disputes, summary judgment is generally disfavored in the trademark arena." *Id.* at 1109. All inferences should have been resolved against the moving party. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986). The defendants were required to establish that there were no genuine issues of fact for trial and that the undisputed facts entitled them to judgment as a matter of law. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986). Genuine issues of fact remained so the case should have been tried. *See First Nat'l Bank of Ariz. v. Cities Serv. Co.*, 391 U.S. 253, 288-89 (1968).

The Ninth Circuit should have reviewed *de novo* the grant of summary judgment. *MetroNet Servs. Corp. v. Qwest Corp.*, 383 F.3d 1124, 1128 (9th Cir. 2004). The court's sole responsibility should have been only "to determine if there [were] triable issues . . ." *Country Floors, Inc. v. Gepner*, 930 F.2d 1056, 1062 (3d Cir. 1991). The Ninth Circuit's application of the multi-factored "likelihood of confusion" test of *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348 (9th Cir. 1979) demonstrated that substantial triable issues existed on whether there was a likelihood of confusion:

Table I: Weighing of the Factors in *Madacy*
H=heavy weighting, U=unspecified, S=slight weighting

	M2	Madacy
1) Strength of the mark (**pivotal**);	U	
2) Proximity of the goods (**pivotal**);	S	
3) Similarity of the marks (**pivotal**);	S [H] [15]	
4) Evidence of actual confusion;	[U] [16]	U
5) Marketing channels used;	[U] [17]	H
6) Sophistication of purchasers;		U
7) Defendant's intent;		S
8) Likelihood of expansion.		U

As shown in the above table, the Ninth Circuit acknowledged that the factors were split between the parties. The multi-factored test actually weighed in M2's favor because the first three factors are deemed "**pivotal**" factors in this type of trademark case. *Dreamwerks Prod. Group Inc. v. SKG Studio*, 142 F.3d 1127, 1130 (9th Cir.1998). The

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[15] Where the marks at issue are identical, this factor "weighs heavily against the applicant," not merely slightly. *In re Majestic Distilling Co., Inc.*, 315 F.3d 1311, 1315 (Fed. Cir. 2003).

[16] Intervening precedent has now aligned the First Circuit with the Federal Circuit in holding that the actual confusion factor – essentially a real-world litmus test of mark similarity – is logically moot where, as here [*Madacy* at 1078], an infringer launches but quickly folds after timely suit. *See Borinquen Biscuit Corp. v. M.V. Trading Corp.*, --- F.3d ---, 2006 WL 852365 at *7 (1st Cir. 2006) (April 4, 2006); *Cunningham v. Laser Golf Corp.*, 222 F.3d 943, 949 (Fed. Cir. 2000); *Gillette Canada, Inc. v. Ranir Corp.*, 23 USPQ2d 1768, 1774 (TTAB 1992).

[17] The district court weighed the "marketing channel" factor in the favor of M2. *Madacy* at 1084. The Ninth Circuit ignored evidence that the parties shared exactly the same trade shows because they did not attend in the same year. *Id.* But timing goes to actual confusion and damages, not to whether the ordinary marketing channels for the parties' fields of industry were the same.

only factors it weighed for the defendants were secondary factors highly susceptible to jury interpretation.[18] To affirm the lower court's ruling, the Ninth Circuit was required to find that there remained no genuine issue of material fact under its *de novo* review. *Anderson*, 477 U.S. at 255. It did not do so. Instead, it found a split and went one step too far to make the determination that only the jury could have made: *Given the split, who wins?*

This is not an isolated case.[19] Instead, most small companies that are harmed by this type of judicial overreaching simply never make it this far to seek resolution by this Court of last resort. The cases of the M2 Petition present a rare opportunity for this Court to step in to protect the commercial rights of small companies that depend upon this nation's trademark laws to survive.

III. CONCLUSION

For the reasons set forth herein, M2 respectfully requests that this Court consider this request for a rehearing on the M2 Petition.

Respectfully submitted,

Mark L. Pettinari
Counsel of Record
LAW OFFICES OF MARK L. PETTINARI
Stock Exchange Tower
155 Sansome Street, Suite 400
San Francisco, CA 94104
Tel (415) 240-4200
Attorney for Petitioner
M2 SOFTWARE, INC.

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[18] The *M2 Communications* factors mirrored those of *Madacy* shown in Table 1. *See M2 Communications*, 149 Fed.Appx. at 614.

[19] *See, e.g., Surfvivor Media, Inc. v. Survivor Productions*, 406 F.3d 625 (9th Cir. 2004). The federal registrant in *Surfvivor* had used its trademark alone for nearly 20 years (U.S. Reg. No. 1,722,033) and on sunscreen since 1997 (U.S. Reg. No. 2,110,909), when its rights were effectively transferred to the more powerful defendants without a trial.

RULE 44.1 CERTIFICATION

Pursuant to Supreme Court Rule 44.1, I hereby certify that the herein Petition for Rehearing is presented in good faith and not for delay.

Respectfully submitted,

Mark L. Pettinari
Counsel of Record
LAW OFFICES OF MARK L. PETTINARI
Stock Exchange Tower
155 Sansome Street, Suite 400
San Francisco, CA 94104
Tel (415) 240-4200
Attorney for Petitioner
M2 SOFTWARE, INC.